THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

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 Composite Document, together with the accompanying Form of Share Offer Acceptance, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms of the Offers.

TIMES HOLDINGS II LIMITED
(Incorporated in Cayman Islands with limited liability)

HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 687)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFERS BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF TIMES HOLDINGS II LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TIMES HOLDINGS II LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

Financial Adviser to Times Holdings II Limited

HSBC

Independent Financial Adviser to the Independent Board Committee of Hong Kong International Construction Investment Management Group Co., Limited

SOMERLEY CAPITAL LIMITED

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from HSBC containing, among other things, the principal terms of the Offers is set out on pages 7 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 22 of this Composite Document. A letter from the Independent Board Committee to the Independent Shareholders and Optionholders containing its recommendation in respect of the Offers is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser to the Independent Board Committee in respect of the Offers and the principal factors considered by it in arriving at its advice is set out on pages 25 to 54 of this Composite Document.

The procedures for acceptance and settlement and the acceptance period of the Offers is set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. The Form of Share Offer Acceptance should be received by the Registrar and the Form of Option Offer Acceptance should be received by the company secretary of the Company by no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or an accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Important Notice" and "Overseas Shareholders and Optionholders" in the Appendix I to this Composite Document before taking any action. It is the responsibility of any person wishing to accept an Offer to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Each such person is advised to seek professional advice on deciding whether to accept the Offers.

April 11, 2019

CONTENTS

The following information is important for all Independent Shareholders and Optionholders.

You are urged to read this entire Composite Document, including the appendices and the Forms of Acceptance carefully.

- *Share Offer Price*: HK$3.00 in cash per Offer Share.

- *Option Offer Price*: Please refer to "Mandatory Unconditional Cash Offers — The Option Offers" in the "Letter from HSBC" in this Composite Document.

- *How to accept the Offers*: Please return the duly completed and signed WHITE Form of Share Offer Acceptance and the relevant documents to the Registrar (for the Share Offer) and/or the YELLOW Form of Option Offer Acceptance and the relevant documents to the company secretary of the Company (for the Option Offers).

- *Deadline for acceptance*: The Offers will close for acceptance at 4:00 p.m. on Thursday, May 2, 2019 (the Offers Closing Date), unless otherwise revised or extended.

  For details, please refer to "Appendix I — Further Terms of the Offers" to this Composite Document.

- *Settlement:* Payments in cash will be made within seven (7) Business Days following the date of receipt of your valid acceptance.

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate in the event that there is any change to the expected timetable.

Unless otherwise expressly stated, references to times and dates in this Composite Document and the Forms of Acceptance are to Hong Kong times and dates.

Despatch Date of this Composite Document and the accompanying Forms of Acceptance and the commencement of the Offers(1) . . . . Thursday, April 11, 2019

Latest time and date for acceptance of the Offers(2), (3), (4) . . . . 4:00 p.m. on Thursday, May 2, 2019

Offers Closing Date(2), (3) . . . . Thursday, May 2, 2019

Announcement of the results of the Offers as at the Offers Closing Date, or as to whether the Offers has been revised or extended, on the website of the Stock Exchange(2), (3) . . . . By 7:00 p.m. on Thursday, May 2, 2019

Latest date for posting of remittances to Independent Shareholders and Optionholders for the amounts due in respect of valid acceptances received under the Offers on the Offers Closing Date(4) . . . . Tuesday, May 14, 2019

Notes:

1. The Offers, which are unconditional in all respects, are made on Thursday, April 11, 2019, being the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Offers Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed “Right of Withdrawal” in Appendix I to this Composite Document.

2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offers is 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on Thursday, May 2, 2019 stating whether the Offers have been extended or revised or has expired. In the event that the Offeror decides to extend the Offers and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not yet accepted the Offers. There is no obligation to extend the Offers.

   Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

3. No Share Option shall be capable of acceptance if, at the time of acceptance, such Share Option has lapsed. Under the rules of the Share Option Scheme, all Share Options that remain unexercised prior to the earlier of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date on which the Share Offer is made or becomes or is declared unconditional, shall lapse automatically and shall no longer be exercisable. As the Offers are unconditional, the commencement date of such period shall be the Despatch Date of this Composite Document.

4. Remittances in respect of the cash consideration payable for the Offer Shares (after deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Registrar in respect of lost or unavailable Share certificates) and/or the Share Options in respect of which the Offers are accepted will be made to the Independent Shareholders/Optionholders accepting the Offers by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt of a duly completed acceptance in accordance with the Takeovers Code, this Composite Document and the relevant accompanying Form of Acceptance.

Effect of bad weather on the latest time for acceptance of the Offers and/or the latest date for posting of remittances

If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:

(a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and/or the posting of any remittances for amounts due under the Offers in respect of valid acceptances (as the case may be), the latest time for acceptance of the Offers will remain at 4:00 p.m. (Hong Kong time) on the same day and/or the posting of such remittance will remain on the same day; or

(b) in force in Hong Kong at any local time between 12:00 noon (Hong Kong time) and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of the Offers and/or the posting of any remittances for amounts due under the Offers in respect of valid acceptances (as the case may be), the latest time for acceptance of the Offers will be rescheduled to 4:00 p.m. (Hong Kong time) on the following Business Day and/or the posting of such remittance will be rescheduled to the following Business Day.

NOTICE TO OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

The Offeror intends to make the Offers available to all Shareholders (other than Concert Parties of the Offeror) and Optionholders, including those with registered addresses outside Hong Kong. However, the availability of the Offers to any persons who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Shareholders and Optionholders who are not resident in Hong Kong and who wish to accept the Offers should inform themselves about and observe any applicable requirements in their own jurisdictions. It is the responsibility of the Shareholders and Optionholders who are not resident in Hong Kong who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions) and, where necessary, consult their own professional advisers.

Acceptance of an Offer by any overseas Shareholder or Optionholder will constitute a warranty by such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. Overseas Shareholders and Optionholders are recommended to seek professional advice on whether to accept the Offers.

In the event that the receipt of this Composite Document by any overseas Shareholder or Optionholder is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror), this Composite Document will not be despatched to such overseas Shareholders or Optionholders. For that purpose, the Offeror will apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch this Composite Document to such overseas Shareholder or Optionholder. In granting the waiver, the Executive will be concerned to see that all material information in this Composite Document is made available to such Shareholder or Optionholder. If any such waiver is granted by the Executive and subject to the consent of the Executive, the Offeror reserves the right to make arrangements in respect of Shareholders or Optionholders who are not resident in Hong Kong in relation to the terms of the Offers. Such arrangements may include notifying any matter in connection with the Offers to the Shareholders or Optionholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given despite any failure by such Shareholders or Optionholders to receive or see that notice.

NOTICE TO U.S. SHAREHOLDERS AND OPTIONHOLDERS

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO.

Accordingly, the Offers will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws. The receipt of cash pursuant to the Offers by a U.S. holder of Shares or Share Options may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of Shares or Share Options is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offers.

The financial information of the Company included in this Composite Document has been extracted from the audited financial statements for the year ended March 31, 2016, the nine-month period ended December 31, 2016 and the years ended December 31, 2017 and 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States. It may be difficult for U.S. holders of Shares to enforce their rights and claims arising out of the U.S. federal securities laws, because HSBC, the Offeror and the Company are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of HSBC, the Offeror and the Company are located outside the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for U.S. holders of Shares to effect service of process within the United States upon HSBC, the Offeror or the Company or their respective officers or directors, to enforce against them a judgment of a U.S. court or them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offers, before or during the period in which the Offers remain open for acceptance. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, HSBC and its affiliates may continue to act as exempt principal traders in the Shares. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at http://www.sfc.hk.

For further discussion, please refer to the section headed "Overseas Shareholders and Optionholders" in the Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"associate(s)"	has the meaning ascribed to it in the Takeovers Code
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"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 (Stock Code: 687)
"Composite Document"	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders and the Optionholders in connection with the Offers in compliance with the Takeovers Code containing, among other things, details of the Offers (accompanied by the Forms of Acceptance) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
"Concert Parties"	in relation to the Offeror, persons acting or presumed to be in concert with the Offeror (except for members of the HSBC Group which are exempt principal traders and/or exempt fund managers in their capacity as such, in each case recognised by the Executive as such for the purposes of the Takeovers Code) and for the avoidance of doubt, Concert Parties of the Offeror shall include the Participating Funds; in relation to HNA Finance I, persons acting in concert with HNA Finance I; in each case, "persons acting in concert" has the meaning given to it in the Takeovers Code
"controlling shareholder"	has the meaning given to it in the Listing Rules
"Despatch Date"	April 11, 2019, being the date of despatch of this Composite Document

"Director(s)"	director(s) of the Company as the Latest Practicable Date
"Encumbrance"	any claim, charge, mortgage, security, lien, pledge, option, equity, power of sale, hypothecation, retention of title, leasing, sale-and-repurchase, sale-and-leaseback arrangement, right of pre-emption, deferred purchase, right of first refusal, priority or security interest of any kind or any other third party rights of any nature or any agreement for any of the same
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Forms of Acceptance"	collectively, the Form of Share Offer Acceptance and the Form of Option Offer Acceptance, and "Form of Acceptance" shall mean each and any one of them
"Form of Option Offer Acceptance"	the **YELLOW** form of acceptance and cancellation of the Share Options in respect of Option Offers accompanying this Composite Document
"Form of Share Offer Acceptance"	the **WHITE** form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Composite Document
"Group"	the Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HNA Finance I"	HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and a wholly-owned subsidiary of HNA Group
"HNA Group"	HNA Group Co., Ltd., a company established under the laws of the PRC and the holding company of HNA Finance I
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"HSBC"	The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to the Offeror, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
"HSBC Group"	HSBC and persons controlling, controlled by or under the same control as HSBC
"Independent Board Committee"	an independent board committee of the Board established pursuant to the Takeovers Code to give recommendations to the Independent Shareholders and the Optionholders in respect of the Offers
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee in relation to the Offers
"Independent Shareholders"	Shareholders apart from the Offeror and its Concert Parties
"Joint Announcement"	the joint announcement issued by the Offeror and the Company dated March 8, 2019 in relation to, among other things, the Offers made pursuant to Rule 3.5 of the Takeovers Code
"Kai Tak Property"	the piece of land parcel known as New Kowloon Inland Lot No.6563 at Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong with a total site area of approximately 9,482 square metres and the development under construction thereon
"Last Trading Date Before Joint Announcement"	March 8, 2019, being the last day on which Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement pursuant to Rule 3.5 of the Takeovers Code

"Latest Practicable Date"	April 8, 2019, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Offer Period"	has the meaning given to it under the Takeovers Code, which, in respect of the Offers, means the period from the date of the Joint Announcement until the Offers Closing Date
"Offer Shares"	the Shares which are subject to the Share Offer. The Offer Shares include Shares held by members of the HSBC Group in their capacity as exempt principal traders or exempt fund managers, and Shares of non-discretionary investment clients of the HSBC Group
"Offeror"	Times Holdings II Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of Times Holdings I Limited
"Offers"	collectively, the Share Offer and the Option Offers and "Offer" means any one of them
"Offers Closing Date"	May 2, 2019, the closing date of the Offers, which is the 21st calendar day after the date of the posting of this Composite Document, or if the Offers are extended, any subsequent closing date(s) of the Offers as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
"Option Offer Price"	HK$1.25 for each Share Option with exercise price of HK$1.75 and HK$1.10 for each Share Option with exercise price of HK$1.90, payable by the Offeror to Optionholders accepting the Option Offers
"Option Offers"	the mandatory unconditional cash offers being made by HSBC on behalf of the Offeror to cancel the Share Options on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
"Optionholder(s)"	holder(s) of the Share Option(s)

"Participating Funds"	(i) Blackstone Real Estate Partners Asia II (Lux) SCSp; (ii) Blackstone Family Real Estate Partnership Asia II – SMD L.P.; (iii) Blackstone Real Estate Partners Asia II L.P.; (iv) BTAS NQ Holdings L.L.C.; (v) Blackstone Real Estate Holdings Asia II – ESC L.P.; (vi) Blackstone Real Estate Partners (Offshore) VIII-NQ L.P.; (vii) Blackstone Real Estate Partners (Offshore) VIII. TE. 1-NQ L.P.; (viii) Blackstone Real Estate Partners (Offshore) VIII. TE. 2-NQ L.P.; (ix) Blackstone Real Estate Partners (Offshore) VIII.F-NQ L.P.; (x) Blackstone Family Real Estate Partnership (Offshore) VIII-SMD L.P.; and (xi) Blackstone Real Estate Holdings (Offshore) VIII-NQ-ESC L.P.
"PBOC"	The People's Bank of China
"PRC"	the People's Republic of China, which expression, solely for the purpose of construing this Composite Document, except where the context requires, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Registrar"	Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the branch share registrar of the Company in Hong Kong for receiving and processing acceptances of the Share Offer in respect of the Offer Shares which are listed on the Stock Exchange
"Relevant Period"	the period commencing on September 8, 2018, being the date falling six months prior to the date of the Joint Announcement, and ending on and including the Latest Practicable Date
"Sale Shares"	2,340,904,131 Shares, representing approximately 69.54% of the issued Shares as at the Latest Practicable Date
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the mandatory unconditional cash offer being made by HSBC on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code

"Share Offer Price"	HK$3.00 for each Offer Share payable by the Offeror to the Independent Shareholders accepting the Share Offer
"Share Option(s)"	the outstanding share option(s), exercisable or not, granted by the Company under the Share Option Scheme
"Share Option Scheme"	the share option scheme adopted by the Company on 8 August 2012
"Shareholders"	holders of Shares
"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"SPA"	the Sale and Purchase Agreement dated March 8, 2019 between the Offeror and HNA Finance I in relation to the conditional sale by HNA Finance I and conditional purchase by the Offeror of the Sale Shares
"SPA Closing"	the delivery of the Sale Shares by HNA Finance I to the Offeror and the payment of HK$3,922,712,393 by the Offeror to HNA Finance I pursuant to the SPA
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"United States" or "U.S."	The United States of America
"US$"	U.S. dollars, the lawful currency of the United States
"%"	per cent.
"^"	English translations of company names from the Chinese language are marked with "^" and are provided for identification purposes only

HSBC

April 11, 2019

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

THE MANDATORY UNCONDITIONAL CASH OFFERS BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF TIMES HOLDINGS II LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TIMES HOLDINGS II LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

INTRODUCTION

Reference is made to the Joint Announcement dated March 8, 2019 published by the Offeror and the Company in respect of, amongst other things, the entry into of the SPA by the Offeror and HNA Finance I on March 8, 2019. Subject to and in accordance with the terms and conditions of the SPA, the Offeror conditionally agreed to purchase and HNA Finance I conditionally agreed to sell 2,340,904,131 Shares (representing approximately 69.54% of the issued Shares as at the Latest Practicable Date) for the consideration of HK$7,022,712,393 (representing HK$3.00 per Sale Share).

On March 27, 2019, the Offeror and the Company jointly announced that SPA Closing took place on March 27, 2019 and upon SPA Closing, the Offeror and its Concert Parties held 2,405,734,062 Shares (representing approximately 71.47% of the issued Shares as at the Latest Practicable Date) and HNA Finance I did not retain any interest in the Company. As at the Latest Practicable Date, HNA Finance I was no longer the controlling shareholder of the Company.

Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, immediately following SPA Closing, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and its Concert Parties and to make comparable offers to the Optionholders for all Share Options (which confer rights on the Optionholders to subscribe for new Shares) by way of cancellation of the Share Options. HSBC is making the Offers on behalf of the Offeror.

This letter sets out, among other things, details of the terms of the Offers, the Offeror's intention in relation to the Company and information on the Offeror and its holding companies. Further details of the terms of the Offers are set out in "Appendix I – Further Terms of the Offers" to the Composite Document of which this letter forms part, and in the accompanying Forms of Acceptance. Unless the context requires otherwise, terms defined in this Composite Document shall have the same meanings when used herein.

The Independent Shareholders and the Optionholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser", the accompanying Forms of Acceptance and the appendices which form part of this Composite Document.

MANDATORY UNCONDITIONAL CASH OFFERS

The Offers are made by HSBC on behalf of the Offeror in compliance with the Takeovers Code, on the following basis:

The Share Offer

The Share Offer Price is as follows:

For each Offer Share . . . . HK$3.00 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and shall be acquired together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made being the date of the despatch of this Composite Document.

The Option Offers

As at the Latest Practicable Date, there are an aggregate of 309,610,000 Share Options outstanding, of which 232,680,000 Share Options have an exercise price of HK$1.75 per Share Option and 76,930,000 Share Options have an exercise price of HK$1.90 per Share Option. The Option Offers are made on the following terms:

For cancellation of each Share Option with an exercise price of HK$1.75 per Share Option . . . . HK$1.25 in cash

For cancellation of each Share Option with an exercise price of HK$1.90 per Share Option . . . . HK$1.10 in cash

In compliance with Rule 13 of the Takeovers Code, the Option Offer Price for cancellation of (i) Share Options with an exercise price of HK$1.75 per Share Option and (ii) Share Options with an exercise price of HK$1.90 per Share Option stated above represents the difference between the exercise price of the respective Share Options and the Share Offer Price.

Optionholders should note that under the rules of the Share Option Scheme, all Share Options that remain unexercised at the earlier to occur of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date (i.e. April 11, 2019) on which the Share Offer is made or becomes or is declared unconditional, shall lapse automatically and shall no longer be exercisable.

The Offers are unconditional in all aspects. Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code.

Total Value of the Offers

As at the Latest Practicable Date, there are 3,366,035,709 Shares in issue and there are in aggregate outstanding Share Options in respect of 309,610,000 Shares. The following is the list of outstanding Share Options:

Date of grant	Exercise price (HK$ per Share)	Number of outstanding Share Options	Exercisable period	Number of underlying Shares
July 20, 2018	1.75	232,680,000	July 20, 2018 to July 19, 2028[(1)]	232,680,000
October 18, 2018	1.90	76,930,000	October 18, 2018 to October 17, 2028[(1)]	76,930,000

Note:

(1) Share Options that remain unexercised at the earlier to occur of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date (i.e. April 11, 2019) on which the Share Offer is made or becomes or is declared unconditional, shall lapse automatically and shall no longer be exercisable.

All Share Options were granted to Directors, senior management and employees of the Group.

Save as disclosed herein, the Company does not as at the Latest Practicable Date have and is not expected to have in issue any outstanding options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into Shares.

Assuming there is no change in the issued share capital of the Company and based on the Share Offer Price of HK$3.00 per Share, the total issued share capital of the Company is valued at HK$10,098,107,127. As the Offeror and its Concert Parties hold in aggregate 2,405,734,062 Shares immediately following the SPA Closing, there will be 960,301,647 Offer Shares. On the basis of the Share Offer Price of HK$3.00 per Share and assuming that no Share Option is exercised before the close of the Offers, the Share Offer is valued at approximately HK$2,880,904,941 and the total amount required to satisfy the cancellation of all the outstanding Share Options is HK$375,473,000. Based on the aforesaid and assuming that no Share Option is exercised before the close of the Offers, the Offers are valued at approximately HK$3,256,377,941 in aggregate.

As at the Latest Practicable Date, there were 309,610,000 Share Options outstanding, of which 270,170,000 Share Options are exercisable and 39,440,000 Share Options are not exercisable until January 1, 2020. Assuming all of the 270,170,000 exercisable Share Options are exercised before the close of the Offers, the Company will have to issue 270,170,000 new Shares, representing approximately 7.43% of the enlarged issued share capital of the Company. Assuming the Share Offer, including in respect of such 270,170,000 new Shares issued upon exercise of exercisable Share Options, is accepted in full and that the Option Offers are also accepted in full in respect of the Share Options that are not exercisable, the maximum cash consideration for the Offers is approximately HK$3,740,396,941.

Comparison of value

The Share Offer Price represents:

(a) the closing price of HK$3.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 14.50% over the closing price of HK$2.62 per Share as quoted on the Stock Exchange on the Last Trading Date Before Joint Announcement;

(c) a premium of approximately 21.46% over the average closing price of HK$2.47 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date Before Joint Announcement;

(d) a premium of approximately 28.21% over the average closing price of HK$2.34 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date Before Joint Announcement;

(e) a premium of approximately 26.58% over the average closing price of HK$2.37 per Share as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Date Before Joint Announcement;

(f) a premium of approximately 28.21% over the average closing price of HK$2.34 per Share as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Date Before Joint Announcement;

(g) a premium of approximately 46.34% over the average closing price of HK$2.05 per Share as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Date Before Joint Announcement;

(h) a discount of approximately 21.05% to the unaudited consolidated net asset value per Share or approximately HK$3.80 as at June 30, 2018; and

(i) a discount of approximately 16.90% to the audited consolidated net asset value per Share or approximately HK$3.61 as at December 31, 2018.

The Share Offer Price of HK$3.00 for each Offer Share is equal to the price payable by the Offeror to HNA Finance I for each Sale Share under the SPA.

Highest and Lowest Share Price

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$3.01 on April 2, 2019, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.46 on September 10, 2018.

Acceptance

The Offers are capable of acceptance on and from April 11, 2019 and will remain open for acceptance until May 2, 2019, being the Offers Closing Date, unless extended or revised in accordance with the Takeovers Code. The Offeror reserves the right to revise or extend the Offers in accordance with the Takeovers Code. Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the Forms of Acceptance must be received by no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019.

Acceptance of the Offers shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Please also refer to Appendix I to this Composite Document and the accompanying Forms of Acceptance for further terms of the Offers.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days after the date on which a duly completed acceptance of an Offer and the relevant evidence of title of the Shares or the Share Options (as the case may be) in respect of such acceptance are received by or for the Offeror to render such acceptance of the Share Offer or the Option Offer, as applicable, complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder or Optionholder who accepts the Offers will be rounded up to the nearest cent.

Stamp Duty

The sellers' ad valorem stamp duty for Shares registered on the Hong Kong register arising in connection with acceptance of the Share Offer will be payable by each Shareholder at the rate of 0.1% of the amount of the consideration payable by the Offeror for such person's Shares or, if higher, the market value of the Offer Shares subject to such acceptance (rounded up to the nearest HK$1.00) and will be deducted from the cash amount due to such person under the Share Offer.

The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the sellers' ad valorem stamp duty on behalf of the accepting Shareholders in respect of the Shares accepted under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offers.

FURTHER TERMS OF THE OFFERS

The Offers will be subject to the term that acceptance of the Offers by any person will constitute a warranty by such person to the Offeror that the Shares and Share Options (as the case maybe) acquired under the Offers are sold free from all Encumbrances and shall be acquired together with all rights and benefits attaching to them as at the date of the Joint Announcement or subsequently becoming attached to them, including the right to all dividends, distributions and any return of capital, if any, declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offers are made, being the date of this Composite Document.

CONFIRMATION OF FINANCIAL RESOURCES

As at the Latest Practicable Date, there are 309,610,000 Share Options outstanding, of which 270,170,000 Share Options are exercisable and 39,440,000 Share Options are not exercisable until January 1, 2020. Assuming all the 270,170,000 exercisable Share Options are exercised before the close of the Offers and the Share Offer is accepted in full and that the Option Offers are also accepted in full in respect of the Share Options that are not exercisable, the maximum cash consideration for the Offers is approximately HK$3,740,396,941. The aggregate of the buyer's ad valorem stamp duty payable by the Offeror for the Offer Shares (assuming all the 270,170,000 exercisable Share Options are exercised before the close of the Offers and the Share Offer is accepted in full) based on the Share Offer Price, will be HK$3,691,415. The Offeror intends to finance the consideration payable by the Offeror under the Offers and the buyer's ad valorem stamp duty for the Offer Shares with equity commitments from the Participating Funds. Each of the Participating Funds is ultimately controlled by The Blackstone Group L.P.

The Offeror has a binding equity commitment letter dated March 8, 2019 from the Participating Funds, pursuant to which the Participating Funds have agreed to provide funding to the Offeror for it to use to pay the consideration under the Offers as well as all costs and expenses relating to the Offers and payable by the Offeror in the proportion of 80% by Blackstone Real Estate Partners Asia II (Lux) SCSp, Blackstone Family Real Estate Partnership Asia II — SMD L.P., Blackstone Real Estate Partners Asia II L.P., BTAS NQ Holdings L.L.C. and Blackstone Real Estate Holdings Asia II – ESC L.P., collectively, and 20% by Blackstone Real Estate Partners (Offshore) VIII-NQ L.P., Blackstone Real Estate Partners (Offshore) VIII. TE. 1-NQ L.P., Blackstone Real Estate Partners (Offshore) VIII. TE. 2-NQ L.P., Blackstone Real Estate Partners (Offshore) VIII.F-NQ L.P., Blackstone Family Real Estate Partnership (Offshore) VIII-SMD L.P., BTAS NQ Holdings L.L.C. and Blackstone Real Estate Holdings (Offshore) VIII-NQ-ESC L.P., collectively. The general partner of Blackstone Real Estate Partners Asia II (Lux) SCSp is Blackstone Real Estate Associates Asia II (Lux) S.a.r.l. The general partner of Blackstone Family Real Estate Partnership Asia II – SMD L.P. is Blackstone Family GP L.L.C. The general partner of Blackstone Real Estate Partners Asia II L.P. is Blackstone Real Estate Associates Asia II L.P. The managing member of BTAS NQ Holdings L.L.C. is BTAS Associates NQ L.L.C. The general partner of Blackstone Real Estate Holdings Asia II – ESC L.P. is BREP Asia II L.L.C. The general partner of each of Blackstone Real Estate Partners (Offshore) VIII-NQ L.P., Blackstone Real Estate Partners (Offshore) VIII. TE. 1-NQ L.P., Blackstone Real Estate Partners (Offshore) VIII. TE. 2-NQ L.P. and Blackstone Real Estate Partners (Offshore) VIII.F-NQ L.P. is Blackstone Real Estate Associates (Offshore) VIII-NQ L.P. The general partner of Blackstone Family Real Estate Partnership (Offshore) VIII-SMD L.P. is Blackstone Family GP L.P. The general partner of Blackstone Real Estate Holdings (Offshore) VIII-NQ-ESC L.P. is BREP VIII-NQ (Offshore) GP L.P. Each of the general partners of the Participating Funds is controlled solely by Blackstone.

HSBC, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

INFORMATION ON THE OFFEROR AND ITS HOLDING COMPANIES

The Offeror is a company incorporated in the Cayman Islands on October 15, 2018 with limited liability. As at the Latest Practicable Date, the Offeror is wholly-owned by Times Holdings I Limited, a company incorporated under the laws of the Cayman Islands. Times Holdings I Limited is owned as to approximately 0.1664%, 0.4988% and 99.3348% by BREP VIII Times SBS Limited, BREP Asia II Times SBS Limited and BREP Asia II Holdings I (NQ) Pte. Ltd., respectively.

BREP VIII Times SBS Limited is 100% owned by one of the Participating Funds, namely Blackstone Real Estate Holdings (Offshore) VIII-NQ-ESC L.P., and BREP Asia II Times SBS Limited is 100% owned by another Participating Fund, namely Blackstone Real Estate Holdings Asia II – ESC L.P.

BREP Asia II Holdings I (NQ) Pte. Ltd. is 100% owned by BREP Asia Holdings I (NQ) L.P. which is a fund invested by the Participating Funds other than Blackstone Real Estate Holdings (Offshore) VIII-NQ-ESC L.P. and Blackstone Real Estate Holdings Asia II – ESC L.P. The key Participating Funds are Blackstone Real Estate Partners Asia II L.P. and Blackstone Real Estate Partners Asia II (Lux) SCSp, which together have US$7.0 billion in investor capital commitments, and Blackstone Real Estate Partners (Offshore) VIII-NQ L.P., Blackstone Real Estate Partners (Offshore) VIII. TE. 1-NQ L.P., Blackstone Real Estate Partners (Offshore) VIII. TE. 2-NQ L.P. and Blackstone Real Estate Partners (Offshore) VIII.F-NQ L.P., which together have US$15.5 billion in investor capital under commitments. Each of the Participating Funds is managed by Blackstone and is ultimately controlled by The Blackstone Group L.P.

The Blackstone Group L.P. is a global leader in real estate investing. The real estate business of The Blackstone Group L.P. was founded in 1991 and has approximately US$120 billion in investor capital under management. The real estate portfolio of The Blackstone Group L.P. includes hotel, office, retail, industrial and residential properties in the United States, Europe, Asia and Latin America. The Blackstone Group L.P. also operates one of the leading real estate finance platforms, including management of the publicly traded Blackstone Mortgage Trust.

INTERESTS OF THE OFFEROR AND ITS CONCERT PARTIES IN SHARES

As at the Latest Practicable Date, the Offeror and Tides Holdings II Ltd., being a Concert Party of the Offeror, owned or controlled 2,405,734,062 Shares, representing 71.47% of the entire issued share capital of the Company. Other than this, the Offeror and its Concert Parties do not own, control or have direction over any voting rights or rights over any other Shares or any convertible securities, warrants or options of the Company.

For details, please refer to the paragraph headed "Disclosure of Interests in Shares and Commitments with respect to the Offers" set out in Appendix III to this Composite Document.

DEALINGS IN SHARES BY THE OFFEROR AND ITS CONCERT PARTIES

During the Relevant Period, save for the acquisition of the Sales Shares pursuant to the SPA and excluding dealings on a non-discretionary basis by the associates of the Offeror, the Offeror and its Concert Parties had not dealt for value in the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

Following SPA Closing, it is intended that certain of the Group's existing loan facilities will be repaid or refinanced. Following completion of the Offers, the Offeror intends to optimise and rationalise the assets portfolio of the Group by realising the real estate assets of the Group in Hong Kong and distributing the idle cash of the Company.

Reference is made to the announcement of the Company dated February 1, 2019 pursuant to which the Company announced that Omnilink Assets Limited (a wholly-owned subsidiary of the Company) as vendor entered into a sale and purchase agreement (the "**Kai Tak SPA**") with Fabulous New Limited (a wholly-owned subsidiary of Wheelock and Company Limited) as purchaser for the sale and purchase of the entire issued share capital of Twinpeak Assets Limited ("**Twinpeak**") and the loan owing by Twinpeak to Omnilink Assets Limited at the time of closing, at a total cash consideration of HK$3,912,225,000 (subject to adjustment, if any) (the "**Kai Tak Disposal Transaction**"). Milway Development Limited, a direct wholly-owned subsidiary of Twinpeak, is the sole legal and beneficial owner of the Kai Tak Property. Neither Fabulous New Limited nor Wheelock and Company Limited is a shareholder of the Company based on the register of members of the Company and notifications received by the Company under Part XV of the SFO.

Reference is also made to the announcement of the Company dated February 15, 2019 pursuant to which the Company announced that the Kai Tak Disposal Transaction was completed on February 15, 2019.

As disclosed in the announcement of the Company dated February 15, 2019, based on the unaudited consolidated management accounts of the Company, as at December 31, 2018, the Group had total cash on hand of approximately HK$4.90 billion (comprising fixed deposits and non-pledged bank balances of approximately HK$3.43 billion, pledged bank balances of approximately HK$0.04 billion and restricted cash of approximately HK$1.43 billion). As disclosed in the Company's announcement dated February 1, 2019, the Company estimated that the net proceeds from the Kai Tak Disposal Transaction would be approximately HK$3.6 billion (subject to finalisation), of which HK$560 million shall be held in escrow and the release of such escrow amount to the Company shall be subject to the terms of the Kai Tak SPA. As disclosed in the circular of the Company dated February 25, 2019, the Company had applied part of such proceeds to repay HK$229 million of the Group's bank borrowing and the Board has not made any definitive decision on the application of the remaining proceeds.

In relation to the distribution of the Company's idle cash, the Offeror intends to procure the Company to declare a distribution, which distribution, if declared and approved, will be payable to the Shareholders whose names appear on the register of members of the Company at a record date which will be after the Offers Closing Date. **As such, Shareholders who accept the Share Offer will not be entitled to the distribution, if such distribution is declared and approved.** Based on the information available to it, the preliminary estimation of the Offeror, after taking into account the net proceeds to be received by the Group upon completion of the Kai Tak Disposal Transaction is that the amount of the possible distribution will be no less than HK$3.90 billion. The final amount of the possible distribution will be determined after taking into account the then financial position of the Company. To give effect to the distribution, the credit standing to the share premium account of the Company may be reduced, which reduction will require a special resolution of the Shareholders and therefore the distribution may or may not be paid. An announcement will be made by the Company in accordance with the Listing Rules if and when the amount and record date of the distribution are fixed and approved by the Board.

Save as aforesaid, it is the intention of the Offeror to continue the Group's existing foundation piling business (being the principal businesses of the Group) in the manner in which it is presently conducted and not to introduce any major changes to such business or to redeploy the fixed assets of the Group.

Save and except for the proposed change of Board composition as detailed in the section headed "Proposed Change to Board Composition of the Company" below, the Offeror has no intention to introduce any significant changes to the management of the Company, or to discontinue the employment of the employees, following completion of the Offers.

LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares and intends the Company to remain listed on the Stock Exchange after the close of the Offers. The directors of the Offeror and the new directors to be nominated by the Offeror and appointed to the Board (as detailed in the section headed "Proposed Change to Board Composition of the Company" in this letter) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers. The steps that the Offeror may take include selling the Shares it acquires from the Share Offer to selected independent third parties or in the market. Announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

PROPOSED CHANGE TO BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date the Board consisted of 15 Directors, comprising (i) Mr. Chen Chao, Mr. Sun Kin Ho Steven, Mr. He Jiafu, Mr. Fung Chiu Chak, Victor, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke and Mr. Zhang Peihua as executive Directors; (ii) Mr. Tang King Shing and Mr. Yang Han Hsiang as non-executive Directors; and (iii) Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Chong Kin Ho as independent non-executive Directors.

It is intended that the resignations of Mr. Chen Chao, Mr. He Jiafu, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke, Mr. Zhang Peihua, Mr. Tang King Shing, Mr. Yang Han Hsiang and Mr. Chong Kin Ho from the Board will take effect from the day immediately after the Offers Closing Date.

The Offeror has nominated six new non-executive Directors to the Board and these nominees are to be appointed as new non-executive Directors with effect from the date of this Composite Document. Details of such appointments are set out in the Company's announcement dated March 27, 2019.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

TAX ADVICE

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of the Offeror, the Company, HNA Finance I and HSBC or any of their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

FURTHER DETAILS OF THE OFFERS

Further details regarding the Offers, including the terms of the Offers and procedures for acceptance, are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer. Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offer Shares it has indicated in the Form of Acceptance is the aggregate number of Offer Shares for which such nominee has received authorisations from the beneficial owners to accept the Share Offer on their behalf.

All documents and remittances to be sent to the Independent Shareholders and/or Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders and/or Optionholders at their respective addresses as they appear in the register of members or register of Optionholders of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. The Company, the Offeror and parties acting in concert with it, HSBC, the Independent Financial Adviser, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

WARNING

Independent Shareholders, Optionholders and potential investors in the Company are advised to exercise caution when dealing in the securities of the Company (including the Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Board" on pages 18 to 22, the "Letter from the Independent Board Committee" on pages 23 to 24 and the "Letter from the Independent Financial Adviser" on pages 25 to 54, all of which are contained in this Composite Document, in relation to their recommendations and/or advice regarding the Offers.

Your attention is also drawn to the additional information set out in the appendices which form part of this Composite Document.

Yours faithfully,
For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited
Stephen J. Clark
Managing Director, Advisory, Global Banking, Asia Pacific

HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

Executive Directors:
Mr. CHEN Chao *(Co-Chairman)*
Mr. SUN Kin Ho Steven *(Co-Chairman)*
Mr. HE Jiafu *(Vice Chairman and Chief Executive Officer)*
Mr. FUNG Chiu Chak, Victor *(Vice Chairman)*
Mr. LIU Junchun *(Vice Chairman)*
Mr. HUANG Qijun
Mr. GUO Ke
Mr. ZHANG Peihua

Non-executive Directors:
Mr. TANG King Shing
Mr. YANG Han Hsiang

Independent non-executive Directors:
Mr. FAN Chor Ho
Mr. TSE Man Bun
Mr. LUNG Chee Ming, George
Mr. LI Kit Chee
Mr. CHONG Kin Ho

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
20th Floor, One Island South
No. 2 Heung Yip Road
Wong Chuk Hang
Hong Kong

April 11, 2019

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

THE MANDATORY UNCONDITIONAL CASH OFFERS BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF TIMES HOLDINGS II LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TIMES HOLDINGS II LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

INTRODUCTION

Reference is made to the Joint Announcement pursuant to which the Offeror and the Company jointly announced on March 8, 2019 that, among other things, subject to SPA Closing, HSBC would, on behalf of the Offeror, make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and its Concert Parties and to make comparable offers to the Optionholders for all Share Options (which confer rights on the Optionholders to subscribe for new Shares) by way of cancellation of the Share Options.

On March 27, 2019, the Offeror and the Company jointly announced that the SPA Closing took place on March 27, 2019 and upon SPA Closing, the Offeror and its Concert Parties held 2,405,734,062 Shares (representing approximately 71.47% of the issued Shares as at the Latest Practicable Date) and HNA Finance I did not retain any interest in the Company. As at the Latest Practicable Date, HNA Finance I was no longer the controlling shareholder of the Company.

Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, immediately following SPA Closing, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and its Concert Parties and to make comparable offers to the Optionholders for all Share Options (which confer rights on the Optionholders to subscribe for new Shares) by way of cancellation of the Share Options. HSBC is making the Offers on behalf of the Offeror.

Details of the principal terms together with information relating to the Offeror and the intentions of the Offeror in relation to the Company are set out in the "Letter from HSBC" in this Composite Document and further terms of the Offers are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance. The purpose of this Composite Document is, among other things, to (i) provide you with information relating to the Group and the Offers; (ii) set out the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders and Optionholders on the Offers; and (iii) set out the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Offers.

Unless the context requires otherwise, terms defined in this Composite Document, of which this letter forms part, shall have the same meanings when used herein.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the non-executive directors and independent non-executive Directors has been established by the Board pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code to make recommendations to the Independent Shareholders and Optionholders as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers. As at the date of this letter, the non-executive Directors are Mr. Tang King Shing and Mr. Yang Han Hsiang and the independent non-executive Directors are Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Chong Kin Ho.

In addition, Somerley Capital Limited, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to the fairness and reasonableness of the Offers and as to acceptance of the Offers.

THE OFFERS

Principal terms of the Offers

The following information about the Offers is based on the "Letter from HSBC" contained in this Composite Document.

The Share Offer

The Share Offer Price is as follows:

For each Offer Share . . . . HK$3.00 in cash

The Share Offer Price of HK$3.00 for each Offer Share is equal to the price payable by the Offeror to HNA Finance I for each Sale Share under the SPA.

The Option Offers

As at the Latest Practicable Date, there are an aggregate of 309,610,000 Share Options outstanding, of which 232,680,000 Share Options have an exercise price of HK$1.75 per Share Option and 76,930,000 Share Options have an exercise price of HK$1.90 per Share Option. The Option Offers are made on the following terms:

For cancellation of each Share Option with an exercise price of HK$1.75 per Share Option . . . . HK$1.25 in cash

For cancellation of each Share Option with an exercise price of HK$1.90 per Share Option . . . . HK$1.10 in cash

In compliance with Rule 13 of the Takeovers Code, the Option Offer Price for cancellation of (i) Share Options with an exercise price of HK$1.75 per Share Option and (ii) Share Options with an exercise price of HK$1.90 per Share Option stated above represents the difference between the exercise price of the respective Share Options and the Share Offer Price.

FURTHER INFORMATION ON THE OFFERS

Please refer to the "Letter from HSBC" contained in this Composite Document, Appendix I to this Composite Document and the accompanying Forms of Acceptance for further information in relation to the Offers, the making of the Offers to the overseas Shareholders and Optionholders, taxation and acceptance and settlement procedures of the Offers.

The Offers are unconditional in all respects and are extended to all Independent Shareholders and Optionholders (including overseas Shareholders and Optionholders) in accordance with the Takeovers Code.

AVAILABILITY OF THE OFFERS TO OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

Your attention is drawn to the section headed "Overseas Shareholders and Optionholders" in Appendix I to this Composite Document.

PROPOSED CHANGE TO BOARD COMPOSITION OF THE COMPANY

Your attention is drawn to the section headed "Proposed Change to Board Composition of the Company" in the "Letter from HSBC" in this Composite Document.

INFORMATION ON THE GROUP

The Company was incorporated in Bermuda on February 6, 1991 as an exempted company with limited liability. The Company became listed on the Main Board of the Stock Exchange on March 26, 1991, trading under the stock code 687.

As at the Latest Practicable Date, the Group is principally engaged in foundation piling and site investigation, property development and investment and investment business.

Your attention is drawn to the financial information of the Group set out in Appendix II and the general information of the Company set out in Appendix III to this Composite Document.

As at the Latest Practicable Date, there are 3,366,035,709 Shares in issue and there are in aggregate outstanding Share Options in respect of 309,610,000 Shares.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror and its Holding Companies" in the "Letter from HSBC" contained in this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE COMPANY

The Board notes that based on the information set out in the section headed "The Offeror's Intentions in relation to the Company" in the "Letter from HSBC" contained in this Composite Document, the Offeror intends that certain of the Group's existing loan facilities will be repaid or refinanced following the SPA Closing. The Board further notes that following completion of the Offers, the Offeror intends to optimise and rationalise the assets portfolio of the Group by realising the real estate assets of the Group in Hong Kong and distributing the idle cash of the Company.

In addition, the Board notes that in relation to the distribution of the Company's idle cash, the Offeror intends to procure the Company to declare a distribution, which distribution, if declared and approved, will be payable to the Shareholders whose names appear on the register of members of the Company at a record date which will be after the Offers Closing Date. **As such, Shareholders who accept the Share Offer will not be entitled to the distribution, if such distribution is declared and approved.** Based on the information available, the preliminary estimation of the Offeror, after taking into account the net proceeds to be received by the Group upon completion of the Kai Tak Disposal Transaction is that the amount of the possible distribution will be no less than HK$3.90 billion. The final amount of the possible distribution will be determined after taking into account the then financial position of the Company. To give effect to the distribution, the credit standing to the share premium account of the Company may be reduced, which reduction will require a special resolution of the Shareholders and therefore the distribution may or may not be paid. An announcement will be made by the Company in accordance with the Listing Rules if and when the amount and record date of the distribution are fixed and approved by the Board.

The Board notes that it is the intention of the Offeror to continue the Group's existing foundation piling business (being the principal businesses of the Group) in the manner in which it is presently conducted and not to introduce any major changes to such business or to redeploy the fixed assets of the Group.

The Board also notes that save and except for the proposed change of Board composition as detailed in the section headed "Proposed Change to Board Composition of the Company" in the "Letter from HSBC", the Offeror has no intention to introduce any significant changes to the management of the Company, or to discontinue the employment of the employees, following completion of the Offers.

LISTING STATUS OF THE COMPANY

As mentioned in the "Letter from HSBC", the Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares and intends the Company to remain listed on the Stock Exchange after the close of the Offers. It is further noted that the directors of the Offeror and the new directors to be nominated by the Offeror and appointed to the Board (as detailed in the section headed "Proposed Change to Board Composition of the Company" in the "Letter from HSBC") have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers. The steps that the Offeror may take include selling the Shares it acquires from the Share Offer to selected independent third parties or in the market.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

RECOMMENDATION

Independent Shareholders and Optionholders are advised to read the "Letter from the Independent Board Committee" set out on pages 23 to 24 of this Composite Document and the "Letter from the Independent Financial Adviser" set out on pages 25 to 54 of this Composite Document before deciding on the actions to be taken on the Offers.

ADDITIONAL INFORMATION

Your attention is also drawn to the "Letter from HSBC" and the additional information contained in the appendices to this Composite Document and the accompanying Forms of Acceptance.

You are recommended to consult your own professional advisers if you are in any doubt as to the tax and other implications of your acceptance of the Offers.

Yours faithfully,
By order of the Board
HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED
SUN Kin Ho Steven
Co-chairman

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Composite Document.

HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

April 11, 2019

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

THE MANDATORY UNCONDITIONAL CASH OFFERS BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF TIMES HOLDINGS II LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TIMES HOLDINGS II LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

We refer to the composite offer and response document dated April 11, 2019 jointly issued by the Offeror and the Company (the "**Composite Document**"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to constitute the Independent Board Committee to consider the terms of the Offers and to advise you (i.e. Independent Shareholders and Optionholders) as to whether or not, in our opinion, the terms of the Offers are fair and reasonable and make recommendation as to the acceptance of the Offers. Somerley Capital Limited has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation are set out in the "Letter from Independent Financial Adviser" on pages 25 to 54 of the Composite Document.

We also wish to draw your attention to the "Letter from the Board" as set out on pages 18 to 22, the "Letter from HSBC" as set out on pages 7 to 17 and the additional information set out in the appendices to this Composite Document. Having considered the terms of the Offers, taking into account the information contained in the Composite Document, and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend the Independent Shareholders and the Optionholders to accept the Share Offer and the Option Offers respectively.

However, Independent Shareholders (including those who exercise the Share Options prior to the lapse of the Share Options) and the Optionholders who wish to realise their investments in the Company are reminded to monitor the trading price and liquidity of the Shares during the period of the Offers and should, having regard to their own circumstances, consider selling their Shares or converting their Share Options and selling the conversion Shares, respectively, in the open market instead of accepting the Share Offer or the Option Offers if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Share Offer or the Option Offers, respectively.

The Optionholders are also reminded that there will be a time lag between the exercise of the Share Options and the receipt of the conversion Shares due to the time required for the administrative procedures for exercising the Share Options. Accordingly, those Optionholders who wish to exercise their Share Options should be mindful of the possible price fluctuations of the Shares during the aforesaid time lag.

The Independent Shareholders and Optionholders are recommended to read the full text of the "Letter from Independent Financial Adviser" on pages 25 to 54 of this Composite Document.

In any case, the Independent Shareholders and the Optionholders are strongly advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offers. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and the Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in this Composite Document and the Forms of Acceptance.

Yours faithfully,
Independent Board Committee
of
Hong Kong International Construction Investment Management Group Co., Limited

TANG King Shing **YANG Han Hsiang**

Non-executive Directors

FAN Chor Ho **TSE Man Bun** **LUNG Chee Ming, George** **LI Kit Chee** **CHONG Kin Ho**

Independent non-executive Directors

Set out below is the text of a letter from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in the Composite Document.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

April 11, 2019

To: The Independent Board Committee

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFERS BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF TIMES HOLDINGS II LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TIMES HOLDINGS II LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the mandatory unconditional cash offers made by HSBC on behalf of the Offeror to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and its Concert Parties) and to cancel all outstanding Share Options. Details of the Offers are set out in the Composite Document dated April 11, 2019, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On March 8, 2019 (after trading hours), HNA Finance I and the Offeror entered into the SPA pursuant to which the Offeror conditionally agreed to purchase, and HNA Finance I conditionally agreed to sell 2,340,904,131 Shares, representing approximately 69.5% of the issued Shares, for an aggregate consideration of approximately HK$7,022.7 million (representing HK$3.00 per Sale Share) (the "**Transaction Price**"). On March 27, 2019, the Offeror and the Company jointly announced that the SPA Closing took place on March 27, 2019.

In accordance with Rule 26.1 and 13.5 of the Takeovers Code, immediately following the SPA Closing, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and its Concert Parties) and to make comparable offers to the Optionholders for all Share Options (which confer rights on the Optionholders to subscribe for new Shares).

In accordance with Rule 2.1 of the Takeovers Code and as announced by the Company on March 8, 2019, the Independent Board Committee, comprising all the non-executive Directors, namely Mr. Tang King Shing and Mr. Yang Han Hsiang, and all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Chong Kin Ho, has been established to give a recommendation to the Independent Shareholders and the Optionholders in respect of the Offers. With the approval of the Independent Board Committee, we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain connected transactions of the Group, details of which were set out in the circulars of the Company dated August 15, 2017 and October 26, 2017. The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules, for which Somerley Capital Limited received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for Somerley Capital Limited in acting as the Independent Financial Adviser in this case.

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. Apart from normal professional fees paid or payable to us in connection with this appointment, and except as disclosed above, no arrangement exists whereby we will receive any payment or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed the published information on the Company, including its annual reports for the years ended December 31, 2017 and 2018, and the information contained in the Composite Document. We have discussed with the Directors their statements set out in the section headed "Material Change" in Appendix II to the Composite Document that, save as disclosed in that section, there has been no material change in the financial or trading position or outlook of the Group since December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date. We have also reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document were true at the time they were made and as at the date of the Composite Document. Shareholders will be informed by the Offeror and the Company as soon as possible if there is any material change to such representations after the date of the Composite Document until the end of the Offer Period.

We have not considered the tax and regulatory implications on the Independent Shareholders and the Optionholders of acceptance or non-acceptance of the Offers since these depend on their individual circumstances. In particular, the Independent Shareholders and the Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFERS

The Offers are unconditional in all respects.

Share Offer

HSBC, on behalf of the Offeror, is making the Share Offer in compliance with the Takeovers Code on the following terms:

For each Offer Share . . . . **HK$3.00 in cash**

The Share Offer Price of HK$3.00 is equal to the Transaction Price, which was determined after arm's length negotiations between the Offeror and HNA Finance I, having regard to (i) the prevailing market prices of the Shares, (ii) the financial position of the Group, (iii) the development potential and business prospects of the Group, (iv) the unaudited net asset value of the Group as at December 31, 2018, and (v) the impact of the disposal of the Group's remaining land parcel in Kai Tak, i.e. the Kai Tak Property (the "**Kai Tak Disposal Transaction**"), and the acquisition of a property known as "CentreHollywood" located at 151 Hollywood Road (the "**151 Hollywood Road Acquisition**"), on the net asset value ("**NAV**"), cash position and prospects of the Group.

Option Offers

HSBC, on behalf of the Offeror, is making the Option Offers to cancel the Share Options in compliance with the Takeovers Code on the following terms:

For cancellation of each Share Option with an exercise price of HK$1.75 per Share Option . . . . **HK$1.25 in cash**

For cancellation of each Share Option with an exercise price of HK$1.90 per Share Option . . . . **HK$1.10 in cash**

As at the Latest Practicable Date, there were 309,610,000 outstanding Share Options granted under the Share Option Scheme (including 232,680,000 Share Options with exercise price of HK$1.75 and 76,930,000 Share Options with exercise price of HK$1.90, each giving the Optionholders the right to subscribe for one new Share). Accordingly, the comparable offers made by the Offeror to the Optionholders, on a "see-through" principle, are HK$1.25 and HK$1.10 respectively. For further details, please see our analysis in the section headed "The Option Offers".

Acceptance of the Offers by any person or persons will constitute a warranty by such person or persons to the Offeror that the Shares and/or Share Options (as the case may be) are sold to the Offeror free from all Encumbrances and together with all rights attached to them as at the date of the Joint Announcement or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offers are made, being the date of the Composite Document.

Acceptances of the Offers by the Independent Shareholders and the Optionholders are irrevocable and cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in the section headed ‘‘Right of Withdrawal” in Appendix I to the Composite Document. Further details of the Offers, including the expected timetable, the terms and procedures for acceptance, are set out in the sections headed “Expected Timetable”, “Letter from HSBC”, “Letter from the Board”, Appendix I to the Composite Document, and the relevant Forms of Acceptance.

The Independent Shareholders and the Optionholders are urged to read the relevant sections in the Composite Document and its appendices in full. The latest time and date for acceptance of the Offers is 4:00 p.m. (Hong Kong time) on May 2, 2019, unless extended or revised in accordance with the Takeovers Code.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Background to the Offers

On March 8, 2019, the Company and the Offeror jointly published the Joint Announcement stating that HSBC would make the Offers on behalf of the Offeror, subject to the SPA Closing taking place. On March 27, 2019, the Company and the Offeror jointly announced that the SPA Closing took place on March 27, 2019. Upon SPA Closing, the Offeror and its Concert Parties held 2,405,734,062 Shares, representing approximately 71.5% of the issued Shares as at the Latest Practicable Date.

As a result of the foregoing and in compliance with the Takeovers Code, HSBC is making the Offers on behalf of the Offeror on April 11, 2019. The Offers comprise the Share Offer at the Share Offer Price of HK$3.00 in cash for each Offer Share, and the Option Offers at the relevant Option Offer Price in cash for each Share Option.

2. Information on the Group

The Group is principally engaged in foundation piling and site investigation and also has interests in property development and investment and investment business. The Shares have been listed on the Main Board of the Stock Exchange since 1991. As at the Latest Practicable Date, the market capitalisation of the Company was approximately HK$10.1 billion.

Foundation piling

The Group’s foundation piling arm, undertaken by its wholly-owned subsidiary Tysan Foundation (Hong Kong) Limited and its subsidiaries, is a well established player in both public and private sectors in Hong Kong and Macau. The foundation piling business is the major contributor to the Group’s revenue stream, accounting for a majority of the Group’s revenue in the last two years. In 2017 and 2018, revenue generated from the foundation piling business amounted to approximately HK$2,494.1 million and HK$2,530.5 million respectively, representing approximately 75.8% and 85.2% of the Group’s respective consolidated revenue. Major projects recently handled by the Group included public housing projects, private residential development projects and commercial development projects.

As stated in the Group's recent annual and interim reports, competition in the foundation piling business has been keen. Coupled with other negative factors such as labour shortages and rising operating costs, the profit margin of the foundation piling business has been negatively affected in recent years.

Property development and investment

The Group also has interests in property development and investment business and has completed certain residential and commercial property projects in the PRC.

In the first half of 2017, the Group expanded its property development business in Hong Kong by acquiring two land parcels in Kai Tak, Kowloon from the Hong Kong government, with an aggregate consideration of approximately HK$13 billion. These were "high-profile" acquisitions. In view of the substantial funding requirement, the Group carried out a number of fund-raising exercises during period of time, including a placing of new Shares, a rights issue and entering into loan agreements with financial institutions. It was the intention at the time of the acquisitions that the two land parcels, with an aggregate site area of approximately 16,800 square metres and maximum permissible developable gross floor area of approximately 90,719 square metres, would be developed into private residential properties.

The Group started realising its property interests in late 2017, including the disposal of property projects in Shanghai, Shenyang and Tianjin, and one of the land parcels in Kai Tak (namely the New Kowloon Inland Lot no. 6564, the "**6564 Land Parcel**"). Disposal of the Group's remaining land parcel in Kai Tak, i.e. the Kai Tak Property (namely the New Kowloon Inland Lot no. 6563), was completed on February 15, 2019. As at the Latest Practicable Date, the disposal of the Group's property project in Shenyang (the "**Shenyang Disposal**") was not yet completed.

In February 2019, the Group acquired a property known as "CentreHollywood" in Hollywood Road, Hong Kong, at a consideration of HK$700 million, subject to adjustments. It is stated in the relevant announcement that the above acquisition provided an opportunity for the Company to leverage its experience in the property market and utilise the internal financial resources of the Group.

Following these measures, the Group holds substantial amounts of cash (net of some borrowings) and investments, while its active business activities principally consists of foundation piling. No less than around half the net cash is intended to be paid out as dividends after the close of the Offers and the investments are intended to be realised. It is intended that the foundation piling business would continue to operate largely as it does now.

Investments

Since late 2017, the Group has made a number of investments in real estate and transportation related industries, including:

(i) the subscription of two investment funds (the "**Funds**"), namely HKICIM Fund II, L.P. and HKICIM Fund III, L.P., which principally invested in two land parcels in Kai Tak, Kowloon (namely the New Kowloon Inland Lot no. 6565 and the New Kowloon Inland Lot no. 6562). The Group also acted as general partner of the Funds. The total commitments of the Group were approximately HK$1.4 billion, which has subsequently been returned to the Group in 2018;

(ii) the subscription of convertible bonds issued by an indirectly wholly-owned subsidiary of Hong Kong Airlines Limited ("**Hong Kong Airlines**"), at a principal amount of HK$800 million;

(iii) a prepayment for a possible investment of RMB300 million as the limited partner to an investment fund, which in turn will participate in a tender for a high speed railway project in Hainan province, the PRC; and

(iv) the purchase of an unlisted investment fund from a third party financial institution at a cost of approximately HK$345.2 million.

Further analysis of the Group's financial position, including the above investments, is set out in the section headed "Financial information and prospects of the Group".

3. Financial information and prospects of the Group

Financial performance

Set out below is a summary of the consolidated financial results of the Group for the years ended December 31, 2017 and 2018, the nine-months period ended December 31, 2016, and the year ended 31 March 2016, as extracted and summarised from the annual reports of the Group. Further details and other financial information of the Group are set out in Appendix II to the Composite Document.

	Notes	**For the year ended December 31, 2018** *(HK$'000)* (audited)	**For the year ended December 31, 2017** *(HK$'000)* (audited)	**For the period from April 1, 2016 to December 31, 2016** *(HK$'000)* (audited)	**For the year ended March 31, 2016** *(HK$'000)* (audited)
Revenue	*(i)*	**2,971,170**	**3,290,156**	**3,030,560**	**4,057,316**
Cost of sales		(2,846,748)	(3,090,007)	(2,455,043)	(3,132,343)
Gross profit		**124,422**	**200,149**	**575,517**	**924,973**
Gross profit margin		*4.2%*	*6.1%*	*19.0%*	*22.8%*
Other income and gains		220,518	56,847	56,149	146,411
Gain on disposal of subsidiaries, net	*(ii)*	1,030,055	–	–	–
Selling expenses		(24,553)	(39,590)	(32,722)	(50,767)
Administrative expenses	*(iii)*	(297,789)	(90,946)	(57,681)	(54,627)
Management incentive bonus		–	–	(192,408)	–
Changes in fair value of investment properties		–	23,175	23,215	32,390
Other expenses, net	*(iv)*	(498,837)	(35,677)	(8,007)	(35,047)
Finance costs		(60,584)	(18,490)	(9,065)	(11,496)
Profit before tax		**493,232**	**95,468**	**354,998**	**951,837**
Income tax expense		(132,336)	(90,035)	(226,641)	(439,329)
Profit for the year/period		**360,896**	**5,433**	**128,357**	**512,508**
Profit attributable to the Shareholders	*(v)*	**360,908**	**6,004**	**134,050**	**396,874**
Basic earnings per Share *(HK cents)*		10.64	0.25	13.71	45.37
Dividend per Share *(HK cents)*					
– interim dividends		–	–	–	20.0
– final dividends		–	10.0	10.0	–

Set out below is a summary of the Group's principal business segments' revenue and results for the years ended December 31, 2017 and 2018, the nine-months period ended December 31, 2016, and the year ended 31 March 2016, as extracted and summarised from the annual reports of the Group.

	For the year ended December 31, 2018 *(HK$'000)* (audited)	For the year ended December 31, 2017 *(HK$'000)* (audited)	For the period from April 1, 2016 to December 31, 2016 *(HK$'000)* (audited)	For the year ended March 31, 2016 *(HK$'000)* (audited)
Segment revenue				
Foundation piling	2,530,539	2,494,053	2,115,532	3,018,427
Property development and investment	282,973	738,420	888,553	986,141
Segment results				
Foundation piling	(23,306)	146,873	274,707	394,605
Property development and investment	578,524	51,807	312,494	640,380
Segment profit margin				
Foundation piling	(0.9)%	5.9%	13.0%	13.1%
Property development and investment	204.4%	7.0%	35.2%	64.9%

(i) Revenue and segment results

The revenue of the Group has been mainly derived from (a) foundation piling and (b) property development and investment. We present below a brief review of the Group's segmental performance during the above periods.

(a) Foundation piling

Revenue from the foundation piling segment, recognised according to the percentage of completion of each contract of construction works, represented the largest business segment of the Group in terms of revenue contribution, accounting for approximately 70% or above of the Group's revenue during all the periods presented above. The segment revenue has been on a downward trend since 2015, but remained fairly stable in the past two years, amounting to approximately HK$2,494.1 million and HK$2,530.5 million in 2017 and 2018 respectively. The segment results broadly declined in recent years, and the segment profit margin has been negatively affected by a number of market factors, such as labour shortages and rising operating costs. In 2018, the Group recorded a segment loss of approximately HK$23.3 million in the foundation piling business.

(b) Property development and investment

Revenue from the property development and investment segment mainly represented proceeds from the sale of residential properties in the PRC (i.e. the Group's property projects in Shanghai, Tianjin and Shenyang). It accounted for approximately 22.4% and 9.5% of the Group's total revenue in 2017 and 2018 respectively, with segment revenue decreasing from approximately HK$738.4 million in 2017 to approximately HK$283.0 million in 2018. The decrease was mainly caused by the completion of disposal in relation to the Group's property projects in Shanghai and Tianjin in the first half of 2018 and the reduced number of completed properties of the Group's Shenyang project delivered to the buyers.

The segment results increased substantially to approximately HK$578.5 million in 2018, principally due to the one-off aggregate disposal gains of approximately HK$1,026.6 million, partly off-set by a write-down of properties under development of approximately HK$452.9 million, as further explained below. As confirmed with the management of the Group, following completion of the Kai Tak Disposal Transaction and the Shenyang Disposal (expected to be completed in the second quarter of 2019), the Group had no other property development projects on hand as at the Latest Practicable Date. The property at the 151 Hollywood Road is being held as investment for rental income.

(ii) Gain on disposal of subsidiaries, net

The gain on disposal of subsidiaries of approximately HK$1,030.1 million in 2018 mainly related to (i) the disposal of the Group's property projects in Shanghai and Tianjin, completed on April 30, 2018, with aggregate gains on disposal of approximately HK$440.2 million, and (ii) the disposal of the property companies engaged in property development at the 6564 Land Parcel at a consideration of approximately HK$6,348.3 million, with a gain on disposal of approximately HK$586.4 million.

(iii) Administrative expenses

Administrative expenses comprised mainly staff costs and rental expenses. In 2018, the Company have granted a total of 385,830,000 Share Options to certain Directors, senior management and employees of the Group. This is a relatively large number of options in our experience, as a result share option expenses of approximately HK$160.1 million were recognised during 2018.

(iv) Other expenses, net

Other expenses mainly represented foreign exchange losses and other fair value losses on derivative instruments. The significant increase in other expenses in 2018 was principally due to a write-down of properties under development of approximately HK$452.9 million recognised in respect of the Kai Tak Property, as its net realisable value determined based on a market valuation as at December 31, 2018, performed by an independent valuer, was lower than its then carrying value in the Group's financial statements.

(v) Profit attributable to the Shareholders

Profit attributable to the Shareholders fluctuated during the periods presented above. In particular, it increased from approximately HK$6.0 million in 2017 to approximately HK$360.9 million in 2018, mainly due to the recognition of gains on disposal of subsidiaries of approximately HK$1,030.1 million, partly offset by (i) the write-down of properties under development of approximately HK$452.9 million, (ii) the share option expense of approximately HK$160.1 million, and (iii) an overall decrease in profit contribution from the foundation piling segment, as explained above. If the non-recurring items (including the disposal gains and the write-down of properties under development), before effect of tax, are eliminated, the Group would have recorded a 2018 loss attributable to the Shareholders of approximately HK$216.3 million.

Financial position

Set out below is a summary of the consolidated financial position of the Group as at December 31, 2018 and 2017, as extracted and summarised from the annual reports of the Group. Further details and other financial information of the Group are set out in Appendix II to the Composite Document.

	Notes	**As at December 31, 2018** *HK$'000* (audited)	**As at December 31, 2017** *HK$'000* (audited)
Property, plant and equipment	*(v)*	254,270	244,120
Other non-current assets	*(v)*	2,564	3,107
Total non-current assets		**256,834**	**247,227**
Properties under development	*(i)*	7,476,000	13,214,929
Prepayments, deposits and other receivables	*(iv)*	1,033,451	39,448
Financial assets at fair value through profit or loss	*(iii)*	1,292,262	738,865
Structured deposits	*(ii)*	580,686	–
Pledged bank balances	*(ii)*	37,469	41,414
Restricted cash	*(ii)*	1,430,897	–
Cash and cash equivalents	*(ii)*	2,854,257	2,327,460
Assets of disposal groups classified as held for sale	*(vi)*	1,202,864	2,183,957
Other current assets	*(v)*	1,153,751	975,892
Total current assets		**17,061,637**	**19,521,965**
Total assets		**17,318,471**	**19,769,192**
Interest-bearing bank borrowings	*(vii)*	232,952	5,809,375
Liabilities directly associated with the assets classified as held for sale	*(vi)*	459,272	416,209
Other current liabilities	*(v)*	846,159	864,844
Total current liabilities		**1,538,383**	**7,090,428**

	Notes	**As at December 31, 2018** *HK$'000* (audited)	**As at December 31, 2017** *HK$'000* (audited)
Interest-bearing bank borrowings	*(vii)*	3,001,340	70,642
Interest-bearing other borrowing	*(vii)*	300,000	–
Guaranteed notes	*(vii)*	298,857	295,343
Other non-current liabilities	*(v)*	17,228	94,778
Total non-current liabilities		**3,617,425**	**460,763**
Total liabilities		**5,155,808**	**7,551,191**
Net assets		**12,162,663**	**12,218,001**
Equity attributable to the Shareholders	*(viii)*	**12,162,665**	**12,217,991**
Outstanding Shares in issue *('000)*		**3,364,836**	**3,402,498**
NAV per Share *(HK$)*		**3.61**	**3.59**

(i) Properties under development

As at December 31, 2018, properties under development of the Group represented the development and construction costs incurred in relation to the Kai Tak Property. On February 15, 2019, the Group completed the Kai Tak Disposal Transaction, being the sale of the Kai Tak Property and the related shareholder loan assignment to an independent third party. Following completion of such disposal, the Group was no longer involved in any property development projects as at the Latest Practicable Date.

(ii) Cash on hand

As at December 31, 2018, the Group recorded cash on hand of approximately HK$4,903.3 million, comprising (i) cash and cash equivalents of approximately HK$2,854.3 million, (ii) restricted cash of approximately HK$1,430.9 million and pledged bank balances of approximately HK$37.5 million, which were included in the disposal group under the Kai Tai Disposal Transaction, and (iii) structured deposits of approximately HK$580.7 million, matured at the end of March 2019. Upon completion of the Kai Tai Disposal Transaction, cash on hand of the Group has been increased by approximately HK$3.6 billion.

On the basis of the Group's cash position as at December 31, 2018, and taking into account the Kai Tak Disposal Transaction and the 151 Hollywood Road Acquisition, the Group's cash on hand would be increased to approximately HK$7.8 billion.

(iii) Financial assets at fair value through profit or loss

As at December 31, 2018, the Group's financial assets at fair value through profit or loss included (i) the fair value of the 3-year unsecured convertible bonds of approximately HK$833.7 million, with a principal amount of HK$800 million (the "**HKA Convertible Bonds**"), issued by an indirectly wholly-owned subsidiary of Hong Kong Airlines carrying an interest rate of 8% per annum, which will mature on June 30, 2021. We are advised by the management of the Group that the Group has the right to exercise its conversion right at any time prior to the maturity date and to request early redemption of the HKA Convertible Bonds at any time as at the Latest Practicable Date. The HKA Convertible Bonds are guaranteed by Hong Kong Airlines and its subsidiary, Hong Kong Air Cargo Carrier Limited, being the sole shareholder of the convertible bonds issuer, but are otherwise unsecured, (ii) an unlisted investment fund of approximately HK$362.0 million, acquired from a third party financial institution with a cost of HK$345.2 million, and (iii) the remaining interest in certain investment funds of approximately HK$96.5 million (the "**LP Interest**"), attributable to the realisation of underlying properties under development held by the respective Funds.

(iv) Prepayments, deposits and other receivables

Prepayments, deposits and other receivables of the Group as at December 31, 2018 mainly included (i) the remaining consideration of RMB510.8 million (the "**SH/TJ Disposal Proceeds**") receivable from Hainan HNA Shou Fu Investment Co., Ltd, arising from the disposal of the Group's property projects in Shanghai and Tianjin, details of which are set out in the announcement of the Company dated November 13, 2017 and the circular of the Company dated December 7, 2017. We are advised by the management of the Group that such SH/TJ Disposal Proceeds have been subsequently received in full in March 2019, and (ii) the advance payment of RMB300 million (the "**Advance Payment**") for capital injection to Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership), which would in turn participate in a tender to acquire an approximately 38.7% interest in a Hainan railway project, as detailed in the announcement of the Company dated June 6, 2018.

(v) Other assets and liabilities

As at December 31, 2018, other assets of the Group mainly comprised (i) contract assets of approximately HK$923.5 million, (ii) property, plant and equipment of approximately HK$254.3 million, which included the Group's self-owned property in Wong Chuk Hang held for office use, and (iii) trade and retention receivables of approximately HK$167.1 million, which included the management fee receivable from the Funds of approximately HK$32.2 million (the "**GP Receivables**"). The other liabilities of the Group as at December 31, 2018 mainly comprised trade and retention payables and accruals of approximately HK$693.1 million, and contract liabilities of approximately HK$69.2 million, a substantial part of which related to the Group's foundation piling business.

(vi) Assets/liabilities of disposal groups classified as held for sale

In November 2017, the Group announced the Shenyang Disposal. The property project under the Shenyang Disposal has been reclassified as assets/liabilities of a disposal group classified as held for sale as at December 31, 2018 and 2017. Management of the Group informed us that the parties were in the process of completing the relevant conditions precedent under the Shenyang Disposal, including relevant administrative procedures, and it is expected to be completed by the second quarter of 2019.

(vii) Borrowings and indebtedness position

As at December 31, 2018, the Group had total borrowings, excluding those that are subject to the Shenyang Disposal, of approximately HK$3,833.1 million. They mainly included (i) the outstanding principal amount of a term loan of approximately HK$2,977.0 million, drawn down to finance the acquisition and development of the Kai Tak Property, which has subsequently been disposed of through the Kai Tak Disposal Transaction in February 2019, (ii) other borrowing of HK$300 million, drawn down from an independent financial institution, with an interest rate of HIBOR plus 4.75% per annum. We are advised by the management of the Group that the lender of such borrowing requested early repayment, which is expected to be settled in April 2019, and (iii) the guaranteed notes with an aggregate principal amount of HK$305 million, bearing a fixed interest rate of 7% per annum, payable semi-annually in arrears, and maturing on July 26, 2020. On the basis of the above, and taking into account the Kai Tak Disposal Transaction, the Group's total borrowings would be reduced to approximately HK$0.9 billion.

The gearing ratio of the Group, calculated on the basis of total interest-bearing borrowings (excluding those that are subject to the Shenyang Disposal) divided by shareholders' equity, was approximately 31.5% as at December 31, 2018. However, the Group had substantial cash on hand of approximately HK$4.9 billion, with a net cash position of approximately HK$1.1 billion (being the cash on hand of approximately HK$4,903.3 million minus the total borrowings of approximately HK$3,833.1 million) as at December 31, 2018, and this is before receipt of the proceeds from the Kai Tak Disposal Transaction, net of the related bank loan, as set out above. Based on the above, and taking into account the Kai Tak Disposal Transaction and the 151 Hollywood Road Acquisition, the net cash of the Group may be estimated at approximately HK$6.9 billion (being the sum of (i) cash on hand of approximately HK$4.9 billion (ii) the net disposal proceeds of approximately HK$3.6 billion under the Kai Tak Disposal Transaction, minus the remaining borrowings of approximately HK$0.9 billion and the consideration of HK$0.7 billion under the 151 Hollywood Road Acquisition).

(viii) Equity attributable to the Shareholders and NAV per Share

The Group recorded equity attributable to the Shareholders of approximately HK$12.2 billion, or approximately HK$3.61 per Share, as at December 31, 2018. As disclosed in the circular of the Company dated February 25, 2019, the Company expected to record a loss from the Kai Tak Disposal Transaction (before tax) of approximately HK$740 million, or approximately HK$0.22 per Share based on the number of issued Shares as at the Latest Practicable Date. If such loss on disposal is deducted, the equity attributable to the Shareholders would be reduced accordingly. Shareholders should note that the actual amount of loss arising from the Kai Tak Disposal Transaction is subject to finalisation and adjustments, given that the audited closing accounts and the statement of adjusted NAV of the disposal group holding the Kai Tak Property are expected to be available by mid-May 2019, according to the management of the Group.

Target Receivables

As set out in the Joint Announcement, part of the Transaction Price payable to HNA Finance I, amounting to HK$3.1 billion, would be deferred until the amount of the Target Receivables (as defined in the Joint Announcement) are received by the Group by the end of December 2019. The Target Receivables refer to the sum of (i) the HKA Convertible Bonds, (ii) the LP Interest, (iii) the Advance Payment, (iv) the GP Receivables, (v) the SH/TJ Disposal Proceeds, and (vi) the disposal proceed from property project in Shenyang. In case the Group is not able to recover the Target Receivables by December 31, 2019, HNA Finance I will not become entitled to any deferred payment in the manner as mentioned in the SPA. On this basis, HNA Finance I will only receive about half of its consideration on a deferred basis. However, Independent Shareholders who accept the Share Offer will receive the full amount of the Share Offer Price of HK$3.00 per Offer Share within seven Business Days following the date of receipt of a duly completed acceptance of the Share Offer, in accordance with the terms of the Takeovers Code.

Prospects of the Group

As shown in the above, the foundation piling segment has been the largest business segment of the Group in terms of revenue contribution. As at December 31, 2018, the Group had 27 projects in progress, with a total estimated remaining contract value of approximately HK$2.8 billion, according to the management of the Group. As set out in the "Letter from HSBC" in the Composite Document, it is the intention of the Offeror to continue the Group's existing foundation piling business in the manner in which it is presently conducted, and not to introduce any major changes to such business or to redeploy the fixed assets of the Group.

The Directors stated in the recent annual and interim reports that the competition in the foundation piling and construction business is expected to remain keen in the near future, due to the growing number of market players and reduced available foundation projects, and that the profit margins as a whole have been negatively affected given market factors such as labour shortages, rising operating costs and intensified competition. According to the statistics released by Census and Statistics Department, the composite labour wages index (building contracts) in general increased over the past five years, has risen from an average of approximately 112.0 points in 2013 to approximately 148.6 points in 2018.

The availability of foundation projects in Hong Kong depends on a number of factors including, among others, the Hong Kong government's initiatives on major infrastructure projects and the property market, for example its land supply and public housing policies.

According to the 2018 Policy Address and the 2019-2020 Land Sale Programme, the Hong Kong government's housing supply target for the coming 10 years is 450,000 units, showing a slight decrease by 10,000 units from 460,000 units as announced in the financial years 2017/18 and 2018/19. In the shorter term, the Hong Kong government will provide 15 residential sites for the supply of private residential units, as compared to 28 and 27 residential sites in the financial years 2017/18 and 2018/19 respectively. The financial year 2019/2020 target for private housing land supply from various sources is 13,500 flats, as compared to 18,000 flats in each of the financial year 2017/18 and 2018/19. This suggests that the number of new property development projects, hence new foundation piling business opportunities, may decrease in the near future. On the other hand, the long-run housing supply target as mentioned above and additional long-term initiatives from the Hong Kong government, such as plans for substantial land reclamation under the Lantau Tomorrow Vision, means that longer term prospects of foundation piling business remain positive.

While the outlook of the foundation industry in Hong Kong may be considered positive in the long run, reduced foundation projects won, resulting from the keen competition amongst the increasing number of industry players, and the increase in labour costs have caused negative impacts on the Group's foundation piling performance in recent years.

Aside from the foundation piling segment, the Group has approximately HK$3 billion of Target Receivables and a substantial cash balance. Management of the Group confirmed to us that (i) the Company intends to and will take necessary actions to recover the Target Receivables on or before December 31, 2019, and (ii) as at the Latest Practicable Date, the Group did not foresee any issue regarding the recovery of the Target Receivables. In this respect, we are advised by the management of the Group that there was no impairment provision required for the Target Receivables as at December 31, 2018, based on the audited financial statements of the Group. In the event that the Target Receivables cannot be fully recovered before the deadline of December 31, 2019 as set out in the SPA, the deferred payment by the Offeror to HNA Finance I, amounting to HK$3.1 billion, will be adjusted downward pursuant to the SPA. While the deferred payment provision in the SPA provides a downside protection to the Offeror, any part of the Target Receivables not being fully recovered may negatively impact the future profit or loss and the NAV of the Group. Please refer to the section headed "Information on the Offeror and its intention in relation to the Company" regarding the proposed distribution of the Group's idle cash after the close of the Offers.

4. Information on the Offeror and its intention in relation to the Company

The Offeror is indirectly owned by a group of private investment funds managed by Blackstone and is ultimately controlled by The Blackstone Group L.P, which is listed on the New York Stock Exchange with a market capitalisation of approximately US$42.8 billion (approximately HK$333.8 billion) as at the trading day immediately prior to the Latest Practicable Date.

As stated in the "Letter from HSBC" in the Composite Document, The Blackstone Group L.P. is a global leader in real estate investing, with its real estate business having approximately US$120 billion in investor capital under management. It is also stated that the real estate portfolio of The Blackstone Group L.P. includes hotel, office, retail, industrial and residential properties in the United States, Europe, Asia and Latin America.

The Blackstone Group L.P. first became a controlling Shareholder following a voluntary cash offer to the then shareholders of the Company made in December 2013. There were certain subsequent restructuring efforts, including disposal of properties and an engineering service business. The controlling interest of the Company was later sold to HNA Finance I, a wholly-owned subsidiary of HNA Group, in June 2016. Following the SPA Closing on March 27, 2019, The Blackstone Group L.P. again became the controlling Shareholder, holding approximately 71.5% of the issued Shares as at the Latest Practicable Date.

Business of the Group

In terms of the Group's business operation, it is stated in the "Letter from HSBC" in the Composite Document that the Offeror intends to continue the Group's existing foundation piling business, being the principal business of the Group, in the manner in which it is presently conducted and not to introduce any major changes to such business or to redeploy the fixed assets of the Group. Following completion of the Offers, the Offeror intends to optimise and rationalise the assets portfolio of the Group by realising the real estate assets of the Group in Hong Kong and distributing the idle cash of the Company, as further described below. In respect of the Group's indebtedness, it is intended that certain of the Group's existing loan facilities will be repaid or refinanced following the SPA Closing.

As analysed in the section headed "Financial information and prospects of the Group", the Group has substantial cash on hand after receiving the net proceeds from the Kai Tak Disposal Transaction. The Offeror intends to procure the Company to declare a distribution to be payable to the Shareholders whose names appear on the register of members of the Company at a record date which will be after the Offers Closing Date. On a preliminary basis and subject to the then financial position of the Company, the Offeror estimated the possible distribution will be no less than HK$3.90 billion, after considering the net proceeds from the Kai Tak Disposal Transaction, equivalent to approximately HK$1.16 per Share based on the number of issued Shares as at the Latest Practicable Date. A special resolution of the Shareholders regarding reduction of share premium may be required to give effect to the distribution.

Independent Shareholders who accept the Share Offer will not be entitled to the distribution, if such distribution is declared and approved.

Composition of the Board

Following the SPA Closing, it is intended that Mr. Chen Chao, Mr. He Jiafu, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke, Mr. Zhang Peihua, Mr. Tang King Shing, Mr. Yang Han Hsiang and Mr. Chong Kin Ho will resign from the Board the day immediately after the Offers Closing Date. Mr. Sun Kin Ho Steven and Mr. Fung Chiu Chak, Victor, who is primarily responsible for foundation piling business, remain as executive Directors, and all the remaining independent non-executive Directors, intend to remain as Directors. The Offeror has nominated six new non-executive Directors to the Board, namely Mr. Justin Wai, Mr. Wang Tianbing, Mr. David Robert McClure, Mr. Lau Che Hang Alex, Mr. Wu Charles

Hsing-yuan and Mr. Yuen Pak Man. Such appointments will only take effect after the posting of the Composite Document in accordance with the requirements of the Takeovers Code. The biographical details of the new Directors are set out in the Company's announcement dated March 27, 2019.

Listing status of the Company

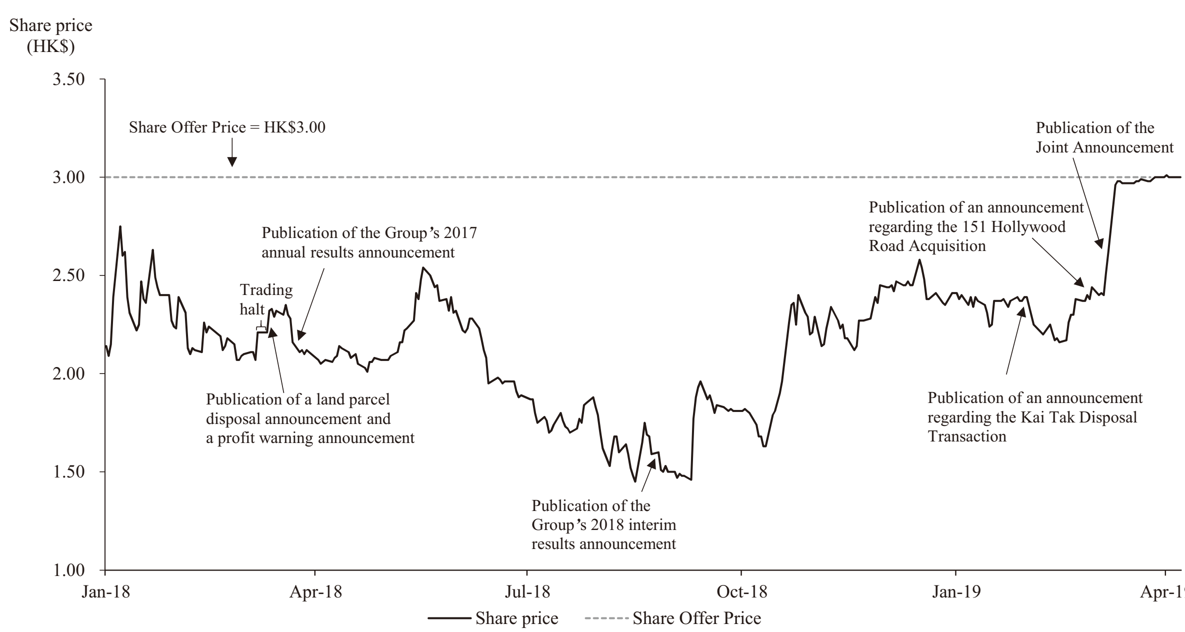
As set out in the "Letter from HSBC" in the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange following the close of the Offers.

As at the Latest Practicable Date, there were 960,301,647 Shares or approximately 28.5%, held by Independent Shareholders. According to the Listing Rules, if, upon the close of the Offers, less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares until a level of sufficient public float is attained. The directors of the Offeror and the new directors to be appointed to the Board, as set out in the above section, have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers. The steps that the Offeror may take include selling the Shares it acquires from the Share Offer to selected independent third parties or in the market.

5. Analysis of the price performance and trading liquidity

Historical price performance of the Shares

Set out below is the movement of the closing prices of the Shares during the period from January 2, 2018 to the Latest Practicable Date (the "**Review Period**"):



Source: Bloomberg

The share price chart above illustrates that the Shares have been, in general, trading consistently below the Share Offer Price of HK$3.00 during the Review Period.

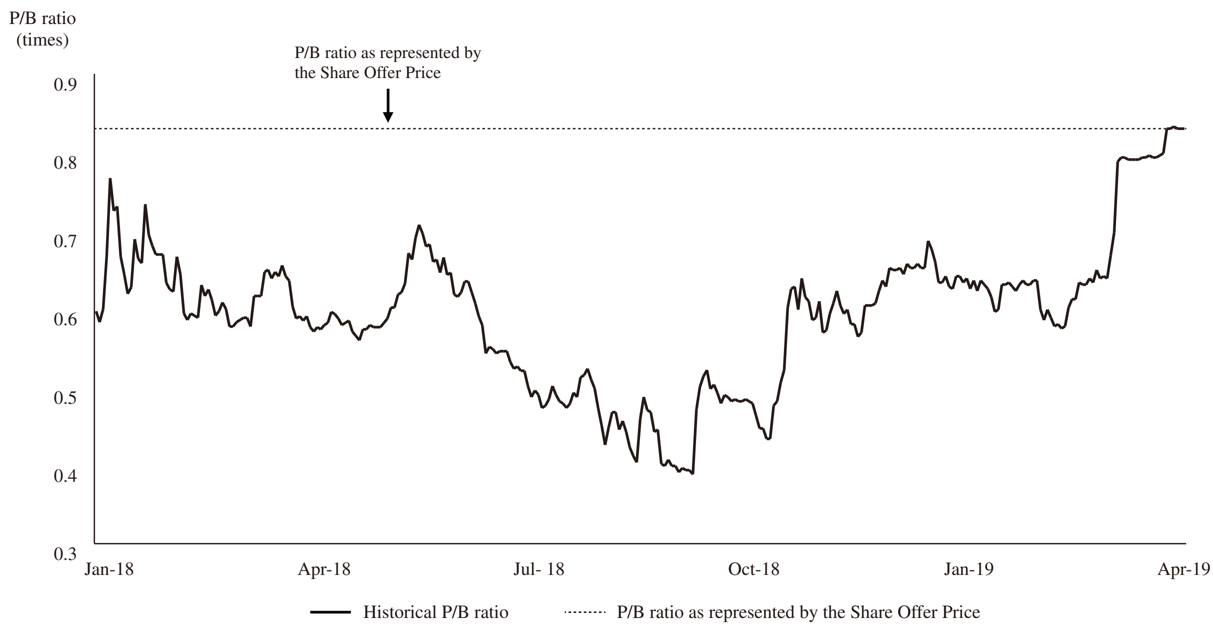
After reaching a high of HK$2.75 on January 8, 2018, the market price of the Shares fluctuated in a range between HK$2.07 and HK$2.63 during the first two months of 2018. Trading of the Shares was suspended on March 9, 2018, pending the release of an inside information announcement. On the same day, the Company published a profit warning announcement, stating that the Group was expected to record a substantial decrease in profit attributable to the Shareholders for the year ended December 31, 2017, as compared to the nine-months period from April 1, 2016 to December 31, 2016. On March 12, 2018, the Group announced the disposal of the 6564 Land Parcel. The Shares resumed trading on the following day, closing at HK$2.32, an increase of approximately 5.0% compared to the price before suspension. Following publication of the Group's 2017 annual results on March 25, 2018, the market price of the Shares initially remained fairly stable and then climbed to a high of HK$2.54 on 18 May 2018, two days after completion of the abovementioned disposal.

Throughout June to mid-August 2018, the Share price trended downward and closed at HK$1.45 on August 17, 2018, the lowest point during the Review Period. On August 27, 2018, the Group released its 2018 interim results, recording a profit attributable to the Shareholders of approximately HK$1,053.5 million, mainly resulting from disposal gains, compared to approximately HK$54.4 million in the same period of 2017. Subsequently, the Shares traded narrowly, but surged by approximately 21.2% and closed at HK$1.77 on September 11, 2018. We note from the disclosure of interests filed by HNA Finance I on September 12, 2018 that it executed an off-market disposal of 150 million Shares (or approximately 4.4% of issued Shares on the same date) at a price of HK$2.30 per Share. Since then, the market price of the Shares, in general, has exhibited a broadly upward trend up to January 2019.

On February 1, 2019, the Company announced the Kai Tak Disposal Transaction at a consideration of approximately HK$3.9 billion, and expected a loss on disposal of approximately HK$740 million. On February 4, 2019, the next trading day, the Shares closed at HK$2.25, representing a drop of approximately 5.9% from the previous closing price of HK$2.39. Through February 2019, price of the Shares fluctuated within a range of HK$2.16 to HK$2.40. Price of the Shares increased by approximately 9.2% during the two days before publication of the Joint Announcement, and closed at HK$2.62 per Share on March 8, 2019, being the Last Trading Date Before Joint Announcement.

After the Joint Announcement, the market price of the Shares increased by approximately 13.0% to HK$2.96 and after that has broadly tracked the Share Offer Price. The Share price closed at HK$3.00 as at the Latest Practicable Date.

Historical P/B ratios of the Company



Notes:

(1) The historical P/B ratio is calculated based on the closing Share price on the respective days dividing by the consolidated NAV per Share attributable to the Shareholders as at the preceding year/period end

(2) The closing Share price on the respective days sourced from Bloomberg

The P/B ratio of the Company as represented by the Share Offer Price is approximately 0.83 times, calculated based on the Share Offer Price of HK$3.00 per Offer Share, and the Group's NAV as at December 31, 2018 of approximately HK$3.61 per Share. The historical P/B ratios of the Company ranged from approximately 0.39 times to 0.77 times during the Review Period before the publication of the Joint Announcement, lower than the P/B ratio of the Company as represented by the Share Offer Price of approximately 0.83 times at all time during this period. The recent increase in P/B ratio is largely due to the increase in Share price following publication of the Joint Announcement.

Share Offer Price comparisons

The Share Offer Price of HK$3.00 represents:

(i) a premium of approximately 14.5% to HK$2.62, the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Date Before Joint Announcement;

(ii) a premium of approximately 21.5% to approximately HK$2.47, the average closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date Before Joint Announcement;

(iii) a premium of approximately 28.2% to approximately HK$2.34, the average closing price of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date Before Joint Announcement;

(iv) a premium of approximately 26.6% to approximately HK$2.37, the average closing price of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Date Before Joint Announcement;

(v) a premium of approximately 28.2% to approximately HK$2.34, the average closing price of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Date Before Joint Announcement;

(vi) a premium of approximately 46.3% to approximately HK$2.05, the average closing price of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Date Before Joint Announcement; and

(vii) a discount of approximately 16.9% to approximately HK$3.61, the audited consolidated NAV per Share as at December 31, 2018.

As set out in the section headed "Analysis of the price performance and trading liquidity", the price of the Shares has fluctuated significantly from approximately HK$1.45 to HK$2.75 and in general traded substantially below the Share Offer Price of HK$3.00 per Offer Share before the publication of the Joint Announcement. The Share Offer Price represents (i) a premium of approximately 14.5% over the closing price on the Last Trading Date Before Joint Announcement of HK$2.62, and (ii) premiums ranging from 21.5% to 46.3% over the average closing price of the Share prices in different periods up to the Last Trading Date Before Joint Announcement.

The Share Offer Price represented a discount to the Group's NAV per Share. However, as shown in the sub-section above headed "Historical P/B ratios of the Company", the Shares had been trading at more substantial discounts to NAV before publication of the Joint Announcement. As at the Latest Practicable Date, the Share price closed at HK$3.00, equivalent to the Share Offer Price. We consider this price is largely determined by the Share Offer Price of HK$3.00 per Offer Share.

Trading liquidity of the Shares

Set out below in the table are the total monthly trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

	Monthly total trading volume of the Shares *(Note 1)*	Percentage of the monthly total trading volume of the Shares to the total issued Shares *(Note 2)*	Percentage of the monthly total trading volume of the Shares to public float of the Company *(Notes 1 and 3)*
2018			
January	83,637,343	2.5%	9.7%
February	22,473,224	0.7%	2.6%
March	30,330,011	0.9%	3.5%
April	8,456,000	0.2%	1.0%
May	33,706,000	1.0%	3.9%
June	14,472,800	0.4%	1.7%
July	12,476,800	0.4%	1.4%
August	108,404,000	3.2%	12.6%
September	120,578,645	3.6%	11.8%
October	104,107,020	3.1%	10.2%
November	65,988,791	2.0%	6.5%
December	48,942,200	1.5%	4.8%
2019			
January	30,878,000	0.9%	3.0%
February	38,796,000	1.2%	3.8%
March	352,548,990	10.5%	36.7%

Notes:

(1) *Sourced from Bloomberg and the Company*

(2) *Calculated based on the monthly total trading volumes of the Shares divided by all the issued Shares at the end of each month*

(3) *Calculated based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public at the end of each month*

As illustrated in the above table, except for March 2019 showing a substantially higher level of trading volume following publication of the Joint Announcement, the monthly trading volume of the Shares during the Review Period represented approximately 0.2% to 3.6% of the total issued Shares, equivalent to approximately 1.0% to 12.6% of the issued Shares constituting the public float of the Company. Trading of the Shares has been relatively active since August 2018. Broadly speaking, we consider that there is a reasonable level of liquidity in the trading of Shares during the Review Period. Nevertheless, some downward pressure on the Share price is likely to result if the Independent Shareholders wish to sell a significant number of Shares in the market. The Share Offer consequently represents a good opportunity for the Independent Shareholders to exit at a fixed cash price (i.e. Share Offer Price), which also substantially above market price before the Joint Announcement.

6. Peer comparison and evaluation of the Share Offer

As stated in the "Letter from the Board" in the Composite Document, the Group is principally engaged in foundation piling and site investigation, with interests in property development and other investments. Following various disposals of the Group's property interests and the future recovery of the Target Receivables, the Group is expected to focus on its foundation piling business, and derive a majority of the Group's revenue from it. We have analysed the following companies (the "**Comparable Companies**") listed on the Main Board of the Stock Exchange, each of which (i) derives a majority of its revenue from the building construction and/or foundation works in Hong Kong, according to its latest published annual financial statements, and (ii) has a listing history of at least two years, with a market capitalisation of at least HK$1 billion as at the Latest Practicable Date. We consider it appropriate to set a floor to the market capitalisation of the Comparable Companies to no less than HK$1 billion, having considered the value of the Company of approximately HK$10 billion based on the Share Offer Price, as this enables a more levelled comparison against the Company while still obtaining a sufficient number of Comparable Companies. Based on the above criteria, we have identified 7 Comparable

Companies as set out below. We consider the Comparable Companies represent a full list of companies that we were able to identify from the Stock Exchange's website which satisfied the above selection criteria:

Company	**Market capitalisation as at the Latest Practicable Date** *(HK$ million)* *(Note 1)*	**Price to earnings ratio ("P/E")** *(times)* *(Note 2)*	**Price to book ratio ("P/B")** *(times)* *(Note 3)*
NWS Holdings Limited (Stock code: 659.HK)	64,908	10.7	1.3
Wai Kee Holdings Limited (Stock code: 610.HK)	4,457	3.7	0.6
Grand Ming Group Holdings Limited (Stock code: 1271.HK)	3,449	20.1	1.2
Build King Holdings Limited (Stock code: 240.HK)	1,788	4.3	1.9
Asia Allied Infrastructure Holdings Limited (Stock code: 711.HK)	1,304	8.7	0.5
Vantage International (Holdings) Limited (Stock code: 15.HK)	1,195	2.9	0.3
SFK Construction Holdings Limited (Stock code: 1447.HK)	1,016	7.8	2.1
	Mean	*8.3*	*1.1*
	Median	*7.8*	*1.2*
	Maximum	*20.1*	*2.1*
	Minimum	*2.9*	*0.3*
The Company			
– at the Share Offer Price	**10,098**	**28.0**	**0.83**
– at the Share Offer Price (as adjusted)			**0.88** *(Note 4)*

Source: website of the Stock Exchange, public filings by the Comparable Companies

Notes:

(1) In respect of the Comparable Companies, being the product of the respective closing price as quoted on the Stock Exchange and the number of issued shares as at the Latest Practicable Date; in respect of the Company, being the product of the Share Offer Price of HK$3.00 and 3,366,035,709 Shares in issue as at the Latest Practicable Date

(2) Calculated by dividing the respective market capitalisation by the respective consolidated net earnings attributable to the ordinary shareholders, as extracted from the latest published annual financial statements

(3) Calculated by dividing the respective market capitalisation by the respective consolidated NAV attributable to the ordinary shareholders, as extracted from the latest published financial statements

(4) *Calculated by dividing the Company's market capitalisation as represented by the Share Offer Price by the consolidated NAV attributable to the ordinary shareholders of the Company as at December 31, 2018, adjusted for the preliminary estimated disposal loss of approximately HK$740 million resulting from the Kai Tak Disposal Transaction*

(5) *We considered Hsin Chong Group Holdings Limited (stock code: 404) ("**Hsin Chong**") to be a Comparable Company as it falls under the above criteria. However, we note that trading in the shares of Hsin Chong has been suspended since April 3, 2017. In view of the extended suspension, we have excluded Hsin Chong from the above table and the analysis below*

(i) P/E ratio

The P/E ratios of the Comparable Companies ranged from approximately 2.9 times to 20.1 times, with a mean and median of approximately 8.3 times and 7.8 times respectively. The P/E ratio of the Company as represented by the Share Offer Price of approximately 28.0 times is higher than the highest P/E ratio of the Comparable Companies.

As discussed in the section headed "Financial information and prospects of the Group", the Group's consolidated net earnings in 2018 was significantly impacted by certain non-recurring items, such as a write-down of properties under development and disposal gains. We also note that certain Comparable Companies' consolidated net profits in their latest published annual financial statements contained non-recurring items, including gain/loss on disposals and impairment losses. For the sake of better comparability across the Comparable Companies and the Company for their underlying financial performances and as an alternative check, we have calculated the P/E ratios for each of the Company and the Comparable Companies, such that the non-recurring items are excluded. Based on the above, the Company recorded a loss of approximately HK$216.3 million, such that a P/E ratio cannot be calculated for the Company, while the P/E ratios of the Comparable Companies, excluding non-recurring items, are approximately 2.9 times to 20.1 times, with a mean and median of approximately 8.8 times and 7.8 times respectively.

(ii) P/B ratio

The P/B ratios of the Comparable Companies ranged from approximately 0.3 times to 2.1 times, with a mean and median of approximately 1.1 times and 1.2 times respectively. The P/B ratio of the Company as represented by the Share Offer Price of approximately 0.83 times is within the range of the P/B ratios of the Comparable Companies, although lower than the mean and median. As discussed in the section headed "Analysis of the price performance and trading liquidity", the Share price has been trading below the NAV per Share during the Review Period. Notwithstanding the P/B ratio of the Company as represented by the Share Offer Price being lower than the mean and median of the Comparable Companies, such P/B ratio is higher than the historical P/B ratios of the Company at all times during the Review Period.

(iii) Effects of the expected financial impact arising from the Kai Tak Disposal Transaction

The Company is expected to recognise a loss on disposal of approximately HK$740 million as a result of the Kai Tak Disposal Transaction. In order to take into account the expected loss of the Kai Tak Disposal Transaction which has already been completed, we have further analysed the position by reflecting the negative impact of the disposal loss on net assets, in order to assess the resultant P/B ratio.

Based on the adjustments as illustrated in the table above, the resultant P/B of the Company would be increased to approximately 0.88 times, which is within the range of the Comparable Companies.

7. The Option Offers

HSBC, on behalf of the Offeror, is making the Option Offers to the Optionholders for the cancellation of the outstanding Share Options in accordance with Rule 13 of the Takeovers Code. The Option Offers are unconditional in all aspects. Acceptance of the Option Offers tendered by the Optionholders shall be irrevocable and cannot not be withdrawn, subject to the Rule 19.2 of the Takeovers Code.

The Option Offer Price is calculated on a "see-through" basis, pursuant to which each Optionholder is entitled to receive a sum for each Share Option calculated by deducting the exercise price per Share payable on exercise of the relevant Share Option from the Share Offer Price. For example, a holder of a Share Option with an exercise price of HK$1.75 will receive HK$1.25 (i.e. HK$3.00 minus HK$1.75) under the Option Offers. We note that the adoption of a "see-through" basis is normal in the case of a general offer for options in the Hong Kong market.

As at the Latest Practicable Date, details of the outstanding Share Options pursuant to the Share Option Scheme were as follows:

Date of grant	Exercise price (HK$ per Share Option)	"See-through" price (HK$ per Share Option)	Outstanding Share Options (vested)	Outstanding Share Options (unvested)	Total outstanding Share Options
July 20, 2018	1.75	1.25	195,360,000	37,320,000	232,680,000
October 18, 2018	1.90	1.10	74,810,000	2,120,000	76,930,000
			270,170,000	39,440,000	309,610,000

The Optionholders are remined that there may be a time lag between the exercise of the Share Options and the receipt of the related Shares due to the time required for the administrative procedures for exercising the Share Options. As disclosed in Appendix I to the Composite Document, the Optionholders who have exercised the Share Options and have not yet received the Share certificate(s)), and wish to accept the Share Offer prior to the Offers Closing Date, such Optionholders should nevertheless complete and sign the Form of Share Offer Acceptance and deliver it to the Registrar together with other document(s) of title or entitlement in respect of the Share Options. For further details, please refer to Appendix I to the Composite Document.

As analysed in the section headed "Analysis of the price performance and trading liquidity", the Shares have been trading in general close to the Share Offer Price of HK$3.00 per Offer Share, closing at HK$3.00 as at the Latest Practicable Date. The Optionholders may consider (i) exercising their Share Options into the Shares if the market price rises above the Share Offer Price, and if they wish to realize their investments in the Company, and selling these underlying Shares in the open market if the net proceeds from the sale after deducting the exercise price of the Share Options and all transaction costs are higher than the relevant "see-through" Option Offer Price; (ii) accepting the Option Offer if the market price of the Shares remains below the Share Offer Price; or (iii) subject to their individual investment criteria, objectives and/or circumstances, exercising their Share Options and retaining the Shares if they are optimistic about the future prospects of the Group and the Share price performance.

The Optionholders should note that pursuant to the Share Option Scheme, all Share Options that remain unexercised at the earlier of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date (i.e. April 11, 2019) on which the Share Offer is made or becomes or is declared unconditional, shall lapse automatically and shall no longer be exercisable.

DISCUSSION

The Offers are unconditional in all aspects, and so are available for immediate acceptance, and are expected to close at 4:00 p.m. (Hong Kong time) on May 2, 2019.

The Group's business and its outlook

The foundation piling business has been the major revenue contributor of the Group. In recent years, the Group has expanded into property development and investment, but following the completion of the Kai Tak Disposal Transaction and the expected repayment of the Target Receivables, this business will have largely ceased, leaving foundation piling as the principal activity. The Offeror has stated its intention to continue the foundation piling business in the manner in which it is presently conducted.

The revenue and profitability of the Group's foundation piling business in 2018 was negatively affected by a number of market factors such as labour shortages, rising operating costs and intensified competition. The increase in the Group's net profit in 2018 was mainly attributable to a number of one-off factors, such as the gain on property disposals of over HK$1 billion. The underlying profitability from foundation piling business were on a downward trend in recent years. In view of the Hong Kong government's long-term housing supply target and infrastructure initiatives, the long-term prospects of the foundation piling industry may be considered positive, but the short-term negative factors as stated above, coupled with the possible decrease in new private sector property developments projects, may adversely impact the industry, including the Group. Consequently, no clear trend for the Group's future results can be confidently predicted.

The Share Offer Price represents a significant premium over recent market prices

The Share Offer Price of HK$3.00 per Offer Share is equal to the price per Sale Share at which the Offeror has acquired a controlling interest in the Company, which was agreed based on arm's length negotiation. A price of HK$3.00 per Offer Share presents premiums of approximately 21.5% to 46.3% over the 5-day to 180-day historical average prices of the Shares, which we consider significant. The Share Offer Price exceeds the market price during the Review Period before the Joint Announcement. The high/low prices during the Review Period before the Joint Announcement were HK$2.75 and HK$1.45.

Comparable Companies

In evaluating the Share Offer Price, we have identified certain Comparable Companies which are engaged in building construction and/or foundation works in Hong Kong. The P/E and P/B ratios as represented by the Share Offer Price, both as reported and as adjusted by the expected disposal loss for the Kai Tak Disposal Transaction and other one-off items in the profit or loss, are either higher than or within the range of the ratios of the Comparable Companies.

The Share Offer Price represents a P/B ratio of approximately 0.83 times, based on the Group's NAV per Share as at the end of 2018. Such P/B ratio is within the range of the Comparable Companies. The historical market price of the Shares also represented a substantial and persistent discount to the Group's NAV throughout the Review Period. Both the P/B ratio of approximately 0.83 times as represented by the Share Offer Price and the P/B ratio as adjusted by the Kai Tak Disposal Transaction of approximately 0.88 times are higher than the historical P/B ratios of the Company as represented by the market price of the Shares, ranging from approximately 0.39 times to 0.77 times during the Review Period before the publication of the Joint Announcement.

Risk relating to the Target Receivables

Out of the total consideration of approximately HK$7.0 billion payable under the SPA, HK$3.1 billion represents deferred payment, the settlement of which depends on the future repayment of the Target Receivables. Unlike HNA Finance I, which will receive a substantial portion of its consideration on a deferred basis, Independent Shareholders accepting the Share Offer will receive the full amount of the Share Offer Price of HK$3.00 per Offer Share. On the other hand, Independent Shareholders who do not accept the Share Offer and retain their Shares will, unlike Independent Shareholders who accept the Share Offer, run the risk of the Target Receivables not being fully recovered in future, which may negatively impact the future profit or loss and net asset value of the Group. Although the Offeror also faces the same risk as Independent Shareholders who do not accept the Share Offer, it will be protected by the deferred payment mechanism as detailed in the SPA.

Opportunity to exit at a fixed cash price

Since the publication of the Joint Announcement, prices of the Shares have tracked the Share Offer Price closely. Independent Shareholders should note that there is no guarantee that the Share price will be sustained following the close of the Offers. Although we consider that there is a reasonable level of liquidity in the trading of the Shares, some downward pressure on the market price could still result if a significant number of Shares is sold in the market. The Share Offer, which is unconditional in all respects, represents an opportunity for Independent Shareholders to exit at a fixed cash price.

The Offeror's intention in relation to the business of the Company and potential distribution

The Offeror is ultimately controlled by The Blackstone Group L.P., a global asset management group with substantial real estate investments under management. New Directors will be appointed by the Offeror to the Company, and certain existing Directors will resign, as set out in the Composite Document.

The intentions of the Offeror in relation to the Company are set out in the "Letter from HSBC" in the Composite Document and include the continuation of the existing foundation piling business as discussed above, repaying or refinancing certain existing loan facilities, and optimising and rationalising the assets portfolio by realising the real estate assets in Hong Kong and distributing the idle cash of the Company. On a preliminary basis, the Offeror estimates the possible distribution will be no less than HK$3.90 billion (equivalent to approximately HK$1.16 per Share). Independent Shareholders who accept the Share Offer will not be entitled to any such future distribution(s).

Listing status and possible suspension of trading

The Offeror intends the Company to remain listed after the close of the Offers, and undertakings have been made to the Stock Exchange by the directors of the Offeror and the new directors to be appointed to the Board to ensure sufficient public float. However, the Offeror and its Concert Parties are already interested in approximately 71.5% of the issued Shares, so that acceptances of the Share Offer in excess of approximately 3.5% of the Shares would lead to an insufficiency of public float. In such circumstances, Independent Shareholders should bear in mind that, although the Offeror has undertaken to maintain the listing of the Shares, there is a possibility of a suspension in trading in the Shares following the close of the Offers if the minimum public float of 25% is not met.

The Option Offers

The consideration under the Option Offers is set on a "see-through" basis, which is conventional in the event of a general offer for shares in Hong Kong. The Option Offers are unconditional in all respects. Share Options that remain unexercised at the earlier of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date (i.e. April 11, 2019) on which the Share Offer is made or becomes or is declared unconditional, **shall lapse automatically and shall no longer be exercisable**.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Share Offer.

Since the publication of the Joint Announcement, the Shares have been trading in general close to the Share Offer Price, closing at HK$3.00 as at the Latest Practicable Date. Independent Shareholders are advised to monitor the market price and the trading liquidity of the Shares during the Offer Period; if the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Share Offer, the Independent Shareholders should consider selling their Shares in the open market instead of accepting the Share Offer.

We also consider that the terms of the Option Offers are fair and reasonable so far as the Optionholders are concerned and accordingly advise the Independent Board Committee to recommend the Optionholders to accept the Option Offers. Optionholders should likewise monitor the market price and the trading liquidity of the Shares during the Offer Period, and consider exercising their Share Options in accordance with the Share Option Scheme and selling in the market the Shares issued to them, if the proceeds (net of costs) would be higher than the net proceeds receivable under the Option Offers.

Optionholders are reminded that all Share Options that remain unexercised at the earlier of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date (i.e. April 11, 2019) on which the Share Offer is made or becomes or is declared unconditional, shall lapse automatically and shall no longer be exercisable, and consequently will be valueless.

Independent Shareholders who are attracted to the future of the Company under the management of the Offeror may consider retaining some or all of their Shares, but should bear in mind the risks relating to the Target Receivables and the public float as set out above.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE

To accept any of the Offers, you should complete and sign the relevant Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the relevant Offer.

1.1 The Share Offer

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), in respect of the number of Shares for which you intend to accept the Share Offer, to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "**Hong Kong International Construction Investment Management Group Co., Limited – Share Offer**" on the envelope as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer to the Registrar in an envelope marked "**Hong Kong International Construction Investment Management Group Co., Limited – Share Offer**"; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer to the Registrar in an envelope marked "**Hong Kong International Construction Investment Management Group Co., Limited – Share Offer**"; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf in respect of the number of Shares for which you intend to accept the Share Offer on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name or if you have exercised Share Options and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Share Offer Acceptance and deliver it in an envelope marked "**Hong Kong International Construction Investment Management Group Co., Limited – Share Offer**" to the Registrar together with the transfer receipt(s), if any, duly signed by yourself and/or other document(s) of title or entitlement in respect of the Share Options (as the case may be). Such action will constitute an irrevocable authority to the Offeror and/or HSBC and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Share Offer Acceptance.

(d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the Form of Share Offer Acceptance should nevertheless be completed, signed and delivered to the Registrar in an envelope marked "**Hong Kong International Construction Investment Management Group Co., Limited – Share Offer**" together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it is/they are not readily available. If you subsequently find such document(s) or if it/ they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be provided to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

(e) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Share Offer Acceptance is received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

(f) If the white Form of Share Offer Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(g) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher (rounded up to the nearest HK$1.00), will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

(h) No acknowledgement of receipt of any Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.

1.2 The Option Offers

(a) If you are an Optionholder and you wish to accept the Option Offers in respect of your Share Options (whether in full or in part), you must send the duly completed and signed Form of Option Offer Acceptance together with the relevant certificate(s) or other documents (if any) evidencing the grant of the Share Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of Share Options which you hold and in respect of which you wish to accept the Option Offers to the company secretary of the Company at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong marked "**Hong Kong International Construction Investment Management Group Co., Limited – Option Offers**" on the envelope as soon as possible but in any event so as to reach the company secretary of the Company no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) No stamp duty will be deducted from the amount payable to the Optionholder(s) who accept(s) the Option Offers.

(c) No acknowledgement of receipt of any Form of Option Offer Acceptance and/or the certificate(s) or other documents (if any) evidencing the grant of the Share Options to the Optionholder(s) and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Share Options will be given.

2. SETTLEMENT UNDER THE OFFERS

2.1 The Share Offer

Provided that a valid Form of Share Offer Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque or a banker's cashier order for the amount due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares for which the Share Offer is accepted and if applicable, the fees payable to the Registrar in respect of lost or unavailable share certificate, will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the date on which the duly completed acceptance of the Share Offer and the relevant documents of title in respect of such acceptance are received by the Registrar to render each such acceptance complete and valid.

2.2 The Option Offers

Provided that a valid Form of Option Offer Acceptance and the relevant certificate(s) or other documents (if any) evidencing the grant of the Share Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Share Options are complete and in good order in all respects and have been received by the company secretary of the Company no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque or a banker's cashier order for the amount due to each of the Optionholders who accepts the Option Offers in respect of the Share Options tendered by him/her under the Option Offers will be despatched by the Registrar to such Optionholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days following the date on which the duly completed acceptance of the Option Offers and the relevant documents of title in respect of such acceptance are received by the company secretary of the Company to render each such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder or Optionholder is entitled under the Share Offer or the Option Offers, as the case may be, will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder or Optionholder.

No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder or Optionholder who accepts the Share Offer or the Option Offers will be rounded up to the nearest cent.

Cheque(s) or banker's cashier order(s) not presented for payment within six months from the date of issue of the relevant cheque(s) or banker's cashier order(s) will not be honoured and be of no further effect, and in such circumstances cheque(s) or banker's cashier order(s) holders should contact the Offeror for payment.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) The Offers are made on Thursday, April 11, 2019, being the date of despatch of this Composite Document, and are capable of acceptance on and from this date until 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date.

(b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date, stating the results of the Offers and whether the Offers have been extended or revised or have expired.

(c) Unless the Offers have previously been extended or revised with the consent of the Executive, to be valid, the Form of Share Offer Acceptance must be received by the Registrar and the Form of Option Offer Acceptance must be received by the company secretary of the Company, in each case, in accordance with the instructions printed thereon by 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date.

(d) If, in the course of the Offers, the Offeror revises the terms of the Offers, all Independent Shareholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. Any revised Offers must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Offers Closing Date.

(e) If the Offers are extended, any reference in this Composite Document and in the Forms of Acceptance to the Offers Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Offers Closing Date.

(f) There is no obligation on the Offeror to extend the Offers.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer. Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offer Shares it has indicated in the Form of Share Offer Acceptance is the aggregate number of Offer Shares for which such nominee has received authorisations from the beneficial owners to accept the Share Offer on their behalf.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. (Hong Kong time) on the Offers Closing Date stating the results of the Offers and whether the Offers have been revised, extended or have expired. The announcement will state the following:

(i) the total number of Offer Shares for which acceptances of the Share Offer have been received;

(ii) the total number of Share Options for which acceptances of the Option Offers have been received;

(iii) the total number of Shares and rights over Shares and Share Options held, controlled or directed by the Offeror and its Concert Parties before the Offer Period;

(iv) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and its Concert Parties and Share Options cancelled during the Offer Period; and

(v) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any of its Concert Parties has borrowed or lent (save for any borrowed Shares which have been either on lent or sold).

The announcement will specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the Option Offers) no later than 4:00 p.m. (Hong Kong time) on Thursday, May 2, 2019, being the Offers Closing Date and the latest time and date for acceptance of the Offers, shall be included.

(c) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments must be published on the website of the Stock Exchange and made in accordance with the requirements of the Listing Rules.

(d) If the Offeror, the Offeror's Concert Parties or their respective advisers make any statements during the Offer Period about the level of acceptances of the number or percentages of accepting Shareholders or Optionholders, the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

6. RIGHT OF WITHDRAWAL

The Offers are unconditional in all respects. Acceptance of the Offers by the Independent Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers as described under the paragraph headed “Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. In such case, when an Independent Shareholder(s) or Optionholder(s) withdraw his/her/its acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or certificate(s) of Share Options and/or other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Forms of Acceptance to the relevant Shareholder(s) or Optionholder(s) at his/her/its own risks. Save as aforesaid, acceptances of the Offers shall be irrevocable and not capable of being withdrawn.

7. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

The making of the Offers to the overseas Shareholders and Optionholders may be affected by the laws of the relevant jurisdictions. The overseas Shareholders and Optionholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. The overseas Shareholders and Optionholders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements. It is the responsibility of the overseas Shareholders and Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, or other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements. The overseas Shareholders and Optionholders will also be fully responsible for the payment of any transfer or other taxes or other required payments and duties payable by the accepting overseas Shareholders or Optionholders in the relevant jurisdictions. Acceptance of an Offer by any overseas Shareholder or Optionholder will constitute a warranty by such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representations or warranties.

NOTICE TO U.S. SHAREHOLDERS AND OPTIONHOLDERS

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO.

Accordingly, the Offers will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws. The receipt of cash pursuant to the Offers by a U.S. holder of Shares or Share Options may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of Shares or Share Options is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offers.

The financial information of the Company included in this Composite Document has been extracted from the audited financial statements for the year ended March 31, 2016, the nine-month period ended December 31, 2016 and the years ended December 31, 2017 and 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States. It may be difficult for U.S. holders of Shares to enforce their rights and claims arising out of the U.S. federal securities laws, because HSBC, the Offeror and the Company are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of HSBC, the Offeror and the Company are located outside the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for U.S. holders of Shares to effect service of process within the United States upon HSBC, the Offeror or the Company or their respective officers or directors, to enforce against them a judgment of a U.S. court or them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offers, before or during the period in which the Offers remain open for acceptance. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, HSBC and its affiliates may continue to act as exempt principal traders in the Shares. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at http://www.sfc.hk.

NOTICE TO OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS (OTHER THAN U.S. SHAREHOLDERS)

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, the procedure and disclosure requirements of laws, regulations and rules of which may be different to those in other jurisdictions. The ability of Independent Shareholders and Optionholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offers may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Independent Shareholder and Optionholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such relevant jurisdictions).

8. TAX IMPLICATIONS

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Company, the Offeror and its Concert Parties, HSBC, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offers is in a position to advise the Independent Shareholders and Optionholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

9. GENERAL

(a) All communications, notices, Forms of Acceptance, share certificate(s), certificate(s) of Share Options, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and its Concert Parties, HSBC, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates, the company secretary of the Company or other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Forms of Acceptance form part of the terms of the Offers.

(c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

(d) The Offers and all acceptances of them will be governed by and construed in accordance with the laws of Hong Kong. Execution of the relevant Form of Acceptance by or on behalf of an Independent Shareholder or Optionholder will constitute such Independent Shareholder's or Optionholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offers.

(e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, HSBC, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the relevant Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares and/or Share Options in respect of which such person or persons has accepted such Offer.

(f) Acceptance of an Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares and/or Share Options are sold to the Offeror free from all Encumbrances and together with all rights attached to them as at the date of the Joint Announcement or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offers are made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

(g) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any revision thereof.

(h) In making their decision, the Independent Shareholders and Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror and its Concert Parties, the Company, HSBC, Independent Financial Adviser or the Registrar. The Independent Shareholders and Optionholders should consult their own professional advisers for professional advice.

(i) Any Independent Shareholders or Optionholders accepting the Offers will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.

(j) This Composite Document and the Forms of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offers in Hong Kong and the operating rules of the Stock Exchange.

(k) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results of the Group for the year ended March 31, 2016, the nine months ended December 31, 2016 and the years ended December 31, 2017 and 2018, as extracted from the Company's annual reports for the year ended March 31, 2016, the nine months ended December 31, 2016 and the years ended December 31, 2017 and 2018, respectively.

	For the year ended March 31, 2016	For the nine months ended December 31, 2016	For the year ended December 31, 2017	For the year ended December 31, 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
REVENUE	4,057,316	3,030,560	3,290,156	2,971,170
Cost of sales	(3,132,343)	(2,455,043)	(3,090,007)	(2,846,748)
Gross profit	924,973	575,517	200,149	124,422
Other income and gains	146,411	56,149	56,847	220,518
Gain on disposal of subsidiaries, net	–	–	–	1,030,055
Selling expenses	(50,767)	(32,722)	(39,590)	(24,553)
Administrative expenses*	(54,627)	(57,681)	(90,946)	(297,789)
Management incentive bonus*	–	(192,408)	–	–
Changes in fair value of investment properties	32,390	23,215	23,175	–
Other expenses, net	(35,047)	(8,007)	(35,677)	(498,837)
Finance costs	(11,496)	(9,065)	(18,490)	(60,584)
PROFIT BEFORE TAX	951,837	354,998	95,468	493,232
Income tax expense	(439,329)	(226,641)	(90,035)	(132,336)
PROFIT FOR THE YEAR/ PERIOD	512,508	128,357	5,433	360,896
Attributable to:				
Ordinary equity holders of the Company	396,874	134,050	6,004	360,908
Non-controlling interests	115,634	(5,693)	(571)	(12)
	512,508	128,357	5,433	360,896
DIVIDENDS	174,933	113,416	340,249	–
Dividends per share	HK20.00 cents	HK10.00 cents	HK10.00 cents	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic (in HK cents)	HK45.37 cents	HK13.71 cents	HK0.25 cent	HK10.64 cents
Diluted (in HK cents)	N/A	N/A	N/A	HK10.59 cents

* Management incentive bonus of HK$3,482,000 was included in administrative expenses for presentation in the consolidated statement of profit or loss for the year ended 31 March 2016. The balance was separately presented as comparative figure of management incentive bonus of HK$192,408,000 in the consolidated statement of profit or loss for the nine months ended 31 December 2016.

	For the year ended March 31, 2016 HK$'000 (audited)	For the nine months ended December 31, 2016 HK$'000 (audited)	For the year ended December 31, 2017 HK$'000 (audited)	For the year ended December 31, 2018 HK$'000 (audited)
PROFIT FOR THE YEAR/PERIOD	512,508	128,357	5,433	360,896
OTHER COMPREHENSIVE INCOME/(EXPENSES)				
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(107,381)	(135,794)	118,634	(62,413)
Release of exchange difference upon disposal of subsidiaries	(36,527)	–	–	(73,971)
Release of exchange difference upon deregistration of a subsidiary	–	–	–	(561)
Release of exchange difference upon liquidation of a subsidiary	(500)	–	–	–
Other comprehensive income / (expenses) not to be reclassified to profit or loss in subsequent periods:				
Gain on property revaluation	–	5,524	–	–
Income tax effect	–	(1,395)	–	–
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR/PERIOD, NET OF TAX	(144,408)	(131,665)	118,634	(136,945)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR/PERIOD	368,100	(3,308)	124,067	223,951
Attributable to:				
Ordinary equity holders of the Company	252,466	2,385	124,638	223,963
Non-controlling interests	115,634	(5,693)	(571)	(12)
	368,100	(3,308)	124,067	223,951

The auditors of the Company, Ernst & Young, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective audited consolidated financial statements of the Group for the year ended March 31, 2016, nine months ended December 31, 2016 and the years ended December 31, 2017 and 2018.

2. CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

Set out below is the full text of the consolidated financial results of the Group for each of the years ended December 31, 2017 and 2018 as extracted from the annual report of the Company for the year ended December 31, 2018:

Consolidated Statement of Profit or Loss
Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	2,971,170	3,290,156
Cost of sales		(2,846,748)	(3,090,007)
Gross profit		124,422	200,149
Other income and gains	5	220,518	56,847
Gain on disposal of subsidiaries, net	42	1,030,055	–
Selling expenses		(24,553)	(39,590)
Administrative expenses		(297,789)	(90,946)
Changes in fair value of investment properties	15	–	23,175
Other expenses, net		(498,837)	(35,677)
Finance costs	6	(60,584)	(18,490)
PROFIT BEFORE TAX	7	493,232	95,468
Income tax expense	10	(132,336)	(90,035)
PROFIT FOR THE YEAR		360,896	5,433
Attributable to:			
Ordinary equity holders of the Company		360,908	6,004
Non-controlling interests		(12)	(571)
		360,896	5,433
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		HK10.64 cents	HK0.25 cent
Diluted		HK10.59 cents	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
PROFIT FOR THE YEAR	360,896	5,433
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange difference on translation of foreign operations	(62,413)	118,634
Release of exchange difference upon disposal of subsidiaries	(73,971)	–
Release of exchange difference upon deregistration of a subsidiary	(561)	–
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX	(136,945)	118,634
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	223,951	124,067
Attributable to:		
Ordinary equity holders of the Company	223,963	124,638
Non-controlling interests	(12)	(571)
	223,951	124,067

Consolidated Statement of Financial Position
31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	254,270	244,120
Prepayments, deposits and other receivables	23	2,197	899
Interests in an associate	16	–	–
Other assets		–	1,080
Deferred tax assets	31	367	1,128
Total non-current assets		256,834	247,227
CURRENT ASSETS			
Properties under development	17	7,476,000	13,214,929
Inventories	18	32,312	28,369
Properties held for sale	19	–	–
Amounts due from customers for contract works	20	–	279,411
Trade and retention receivables	21	167,135	638,810
Contract assets	22	923,526	–
Prepayments, deposits and other receivables	23	1,033,451	39,448
Financial assets at fair value through profit or loss	24	1,292,262	738,865
Tax prepaid		30,778	29,302
Structured deposits	25	580,686	–
Pledged bank balances	25	37,469	41,414
Restricted cash	25	1,430,897	–
Cash and cash equivalents	25	2,854,257	2,327,460
		15,858,773	17,338,008
Assets of disposal groups classified as held for sale	11	1,202,864	2,183,957
Total current assets		17,061,637	19,521,965
CURRENT LIABILITIES			
Trade and retention payables and accruals	26	693,071	581,468
Other payables, deposits received and receipts in advance	27	3,755	34,395
Contract liabilities	22	69,197	–
Amounts due to customers for contract works	20	–	247,027
Interest-bearing bank borrowings	28	232,952	5,809,375
Tax payable		80,136	1,954
		1,079,111	6,674,219
Liabilities directly associated with the assets classified as held for sale	11	459,272	416,209
Total current liabilities		1,538,383	7,090,428

	Notes	2018 HK$'000	2017 HK$'000
NET CURRENT ASSETS		15,523,254	12,431,537
TOTAL ASSETS LESS CURRENT LIABILITIES		15,780,088	12,678,764
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*28*	3,001,340	70,642
Interest-bearing other borrowing	*29*	300,000	–
Guaranteed notes	*30*	298,857	295,343
Deferred tax liabilities	*31*	17,228	94,778
Total non-current liabilities		3,617,425	460,763
Net assets		12,162,663	12,218,001
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	*32*	336,483	340,249
Reserves	*34*	11,826,182	11,877,742
		12,162,665	12,217,991
Non-controlling interests		(2)	10
Total equity		12,162,663	12,218,001

SUN KIN HO STEVEN
Director

LIU JUNCHUN
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to ordinary equity holders of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Statutory reserves HK$'000 (note 34)	Asset revaluation reserve# HK$'000	Exchange fluctuation reserve HK$'000	Forward equity contract HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		113,416	1,032,150	563,861	–	51,302	4,129	(45,083)	(104,598)	1,334,194	2,949,371	10,359	2,959,730
Profit/(loss) for the year		–	–	–	–	–	–	–	–	6,004	6,004	(571)	5,433
Other comprehensive income for the year:													
Exchange difference on translation of foreign operations		–	–	–	–	–	–	118,634	–	–	118,634	–	118,634
Total comprehensive income/(expenses) for the year		–	–	–	–	–	–	118,634	–	6,004	124,638	(571)	124,067
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(3,000)	(3,000)
Acquisition of additional interests in a subsidiary	41	–	–	–	–	–	–	–	104,598	(97,820)	6,778	(6,778)	–
Loan from non-controlling interests		–	–	–	–	–	–	–	–	–	–	2,506	2,506
Repayment of a loan to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(2,506)	(2,506)
Issue of shares	32	226,833	9,027,961	–	–	–	–	–	–	–	9,254,794	–	9,254,794
Share issue expenses	32	–	(4,174)	–	–	–	–	–	–	–	(4,174)	–	(4,174)
2016 final dividend declared and paid	12	–	–	–	–	–	–	–	–	(113,416)	(113,416)	–	(113,416)
At 31 December 2017		340,249	10,055,937*	563,861*	–*	51,302*	4,129*	73,551*	–*	1,128,962*	12,217,991	10	12,218,001

\# The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value during the period ended 31 December 2016.

		Attributable to ordinary equity holders of the Company											
	Notes	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Contributed surplus** *HK$'000*	**Share option reserve** *HK$'000*	**Statutory reserves** *HK$'000* *(note 34)*	**Asset revaluation reserve#** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Forward equity contract** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 31 December 2017		340,249	10,055,937	563,861	–	51,302	4,129	73,551	–	1,128,962	12,217,991	10	12,218,001
Effect of adoption of HKFRS 15	2.2	–	–	–	–	–	–	–	–	5,929	5,929	–	5,929
At 1 January 2018 (restated)		340,249	10,055,937	563,861	–	51,302	4,129	73,551	–	1,134,891	12,223,920	10	12,223,930
Profit/(loss) for the year		–	–	–	–	–	–	–	–	360,908	360,908	(12)	360,896
Other comprehensive expenses for the year:													
Exchange difference on translation of foreign operations		–	–	–	–	–	–	(62,413)	–	–	(62,413)	–	(62,413)
Release of exchange difference upon disposal of subsidiaries		–	–	–	–	–	–	(73,971)	–	–	(73,971)	–	(73,971)
Release of exchange difference upon deregistration of a subsidiary		–	–	–	–	–	–	(561)	–	–	(561)	–	(561)
Total comprehensive income/(expenses) for the year		–	–	–	–	–	–	(136,945)	–	360,908	223,963	(12)	223,951
Shares repurchased and cancelled	32	(3,886)	(54,129)	–	–	–	–	–	–	–	(58,015)	–	(58,015)
Equity-settled share option arrangements	33	–	–	–	160,060	–	–	–	–	–	160,060	–	160,060
Transfer of share option reserve upon the expiry of share options	33	–	–	–	(10,284)	–	–	–	–	10,284	–	–	–
Issue of shares	32	120	2,481	–	(501)	–	–	–	–	–	2,100	–	2,100
Release of reserves upon disposal of subsidiaries	42(a)	–	–	–	–	(49,114)	(4,129)	–	–	4,129	(49,114)	–	(49,114)
2017 final dividend declared and paid	12	–	–	–	–	–	–	–	–	(340,249)	(340,249)	–	(340,249)
At 31 December 2018		336,483	10,004,289*	563,861*	149,275*	2,188*	–*	(63,394)*	–*	1,169,963*	12,162,665	(2)	12,162,663

* These reserve accounts comprise the consolidated reserves of HK$11,826,182,000 (2017: HK$11,877,742,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows
Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		493,232	95,468
Adjustments for:			
Finance costs	6	60,584	18,490
Gain on disposal of subsidiaries, net		(1,030,055)	–
Gain on disposal of interests in an associate	7	(143)	–
Interest income	5	(41,675)	(15,844)
Gain on disposal of items of property, plant and equipment	7	(4,683)	(7,308)
Equity-settled share option expense	7	160,060	–
Depreciation	7	48,465	61,388
Fair value gain on financial assets at fair value through profit or loss	7	(153,777)	(10,865)
Gain on disposal of an investment fund at fair value through profit or loss	7	–	(11,163)
Fair value loss on a derivative financial instrument	7	–	33,057
Changes in fair value of investment properties	7	–	(23,175)
Write-down of properties under development	7	452,903	–
Impairment of contract assets	7	2,048	–
Impairment/(write-back of impairment) of other receivables	7	(144)	1,029
Impairment/(write-back of impairment) of an amount due from an associate	7	(13)	13
		(13,198)	141,090
Increase in properties under development and properties held for sale, net		(121,267)	(12,570,514)
Increase in inventories		(3,943)	(11,858)
Decrease in amounts due from customers for contract works		–	16,482
Increase in contract assets		(225,224)	–
Decrease/(increase) in trade and retention receivables		(40,463)	158,572
Decrease/(increase) in prepayments, deposits and other receivables		(44,029)	21,399
Decrease in an amount due to a related company		(9,668)	–
Increase in trade and retention payables and accruals		(41,456)	(129,287)
Increase/(decrease) in other payables, deposits received and receipts in advance		(56,334)	28,594
Decrease in amounts due to customers for contract works		–	(172,277)
Increase in contract liabilities		(132,770)	–
Decrease in deposits received		–	(43,839)

	Notes	2018 HK$'000	2017 HK$'000
Cash used in operations		(688,352)	(12,561,638)
Taxes paid in the People's Republic of China (the "**PRC**"):			
Hong Kong		(1,896)	(136,679)
Elsewhere		(114,933)	(268,169)
Taxes refunded in the PRC:			
Hong Kong		485	1,777
Elsewhere		3	2,444
Effect of foreign exchange rate changes, net		(4,905)	(10,721)
Net cash flows used in operating activities		(809,598)	(12,972,986)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		41,675	15,844
Purchases of items of property, plant and equipment		(58,775)	(11,397)
Deposits paid for acquisition of items of property, plant and equipment	*23*	(335)	(41)
Proceeds from disposal of items of property, plant and equipment		4,866	8,234
Proceeds from disposal of subsidiaries	*42*	6,650,083	–
Proceeds from disposal of an associate	*16*	143	–
Decrease/(increase) in an amount due from an associate		13	(13)
Capital injection to a financial asset at fair value through profit or loss	*24(i)*	(633,160)	(728,000)
Return of initial capital from financial assets at fair value through profit or loss	*24(i)*	1,361,160	–
Purchase of an investment fund at fair value through profit or loss	*24(ii)*	(345,246)	(600,600)
Proceeds from disposal of an investment fund at fair value through profit or loss		–	611,763
Subscription of convertible bonds	*24(iii)*	(800,000)	–
Advance payment for capital contribution to a financial asset at fair value through profit or loss	*23*	(367,700)	–
Investment income from a financial asset at fair value through profit or loss		17,626	–
Increase in a derivative financial instrument		–	(2,351)
Redemption of a derivative financial instrument		–	7,767
Increase in restricted cash		(1,430,897)	–
Increase in structured deposits		(580,686)	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		(2,000,000)	34,237
Net cash flows from/(used in) investing activities		1,858,767	(664,557)

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32	2,100	2,323,624
Advance receipt for issue of shares	33	2,100	–
Share issue expenses	32	–	(4,174)
Shares repurchased	32	(58,015)	–
Proceeds from issue of guaranteed notes	30	–	305,000
Guaranteed notes issue expenses	30	–	(10,849)
Interest paid		(214,040)	(106,992)
New bank borrowings		2,929,000	6,983,434
New other borrowing		300,000	–
Repayment of bank borrowings		(5,580,353)	(1,579,304)
Loan from non-controlling interests		–	2,506
Loan from the immediate holding company		–	9,150,000
Loan from an intermediate holding company		–	460,040
Repayment of loan to the immediate holding company		–	(2,218,830)
Repayment of loan to an intermediate holding company		–	(460,040)
Repayment of loan to non-controlling interests		–	(2,506)
Acquisition of additional interest in a subsidiary	41	–	(104,598)
Dividends paid to non-controlling interests		–	(3,000)
Dividends paid		(340,249)	(113,416)
Net cash flows from/(used in) financing activities		(2,959,457)	14,620,895
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,910,288)	983,352
Cash and cash equivalents at beginning of year		2,817,211	1,824,211
Effect of foreign exchange rate changes, net		8,486	9,648
CASH AND CASH EQUIVALENTS AT END OF YEAR		915,409	2,817,211

	Notes	2018 HK$'000	2017 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	854,257	2,077,460
Non-pledged time deposits	25	2,000,000	250,000
Cash and cash equivalents as stated in the consolidated statement of financial position		2,854,257	2,327,460
Less: Non-pledged time deposits with original maturity of over three months when acquired		(2,000,000)	–
Add: Pledged bank balances	25	37,469	41,414
Add: Cash and cash equivalents attributable to the disposal groups	11	23,683	448,337
Cash and cash equivalents as stated in the consolidated statement of cash flows		915,409	2,817,211

Notes to Financial Statements

31 December 2018

1. CORPORATE AND GROUP INFORMATION

Hong Kong International Construction Investment Management Group Co., Limited is a limited liability company incorporated in Bermuda.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

During the year, the Group was involved in the following principal activities:

- foundation piling and site investigation
- property development and investment
- investment

There were no significant changes in the nature of the Group's principal activities during the year.

As at 31 December 2018, the immediate holding company of the Company was HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and ultimately controlled by Hainan Province Cihang Foundation. Upon the completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I Co. Ltd. to Times Holdings II Limited on 27 March 2019, the Company has become a subsidiary of Times Holdings II Limited, a company incorporated in the Cayman Islands and ultimately controlled by The Blackstone Group L.P., which is listed on the New York Stock Exchange.

Information About Subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Tysan Foundation (Hong Kong) Limited ("**TFHKL**")	Hong Kong	Ordinary HK$100	100	100	Investment holding
Tysan Contractors (Hong Kong) Limited *(note 1)*	Hong Kong	Ordinary HK$2	100	100	Project management and provision of consultancy and management services
Tysan Construction (Macau) Limited *(note 1)*	Macau	Ordinary MOP25,000	100	100	Foundation piling
Tysan Foundation Limited *(notes 1 and 2)*	Hong Kong	Ordinary HK$141,000,000 Deferred HK$3,000,000	100	100	Foundation piling and site investigation
Tysan Foundation Geotechnical Limited *(note 1)*	Hong Kong	Ordinary HK$60,110,000	100	100	Foundation piling and site investigation

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Tysan Machinery Hire Limited *(notes 1 and 2)*	Hong Kong	Ordinary HK$10,000 Deferred HK$200,000	100	100	Machinery hiring
Proficiency Equipment Limited *(note 1)*	Hong Kong	Ordinary HK$24,480,000	100	100	Machinery hiring and trading
Proficiency Engineering Limited *(note 1)*	Hong Kong	Ordinary HK$2	100	100	Provision of engineering services and machinery hiring
Lion Bright Limited *(note 1)*	Hong Kong	Ordinary HK$2	100	100	Machinery hiring and trading
Mac Proficiency Limited *(note 1)*	Macau	Ordinary MOP25,000	100	100	Provision of engineering services and machinery hiring
Tysan Management Limited *(note 2)*	Hong Kong	Ordinary HK$16,720,850 Deferred HK$2	100	100	Corporate management
Tysan Investment Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
Cottontree Pacific Limited*	British Virgin Islands (“**BVI**”)	Ordinary HK$1	100	100	Investment holding
Tysan Foundation Holdings Limited* *(note 1)*	Bermuda	Ordinary HK$0.1	100	100	Investment holding
HKICIM Group Property Development & Investment Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
Sure Faith Investment Limited *(note 1)*	Hong Kong	Ordinary HK$2	100	100	Property holding
Duncan Properties Limited *(note 1)*	Hong Kong	Ordinary HK$2	100	100	Investment holding
Beneficial Enterprises Limited* *(note 1)*	BVI	Ordinary US$100	100	100	Investment holding
Fund House Limited *(notes 1 and 5)*	Hong Kong	Ordinary HK$2	–	100	Investment holding
Duncan Property Management (Shanghai) Company Limited* *(notes 1, 3 and 5)*	PRC/Mainland China	US$500,000	–	100	Property management

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Federated Resources Limited* *(note 1)*	BVI	Ordinary US$100	100	100	Investment holding
Carriway Limited *(note 1)*	Hong Kong	Ordinary HK$2	100	100	Investment holding
Shanghai Changning Duncan Property Consulting Company Limited* *(notes 1 and 3)*	PRC/Mainland China	RMB200,000	100	100	Property consulting
Great Regent Investments Limited *(note 1)*	Hong Kong	Ordinary HK$2	100	100	Investment holding and provision of sales and marketing services
Tysan Land (Shanghai) Limited* ("**Tysan Shanghai**") *(notes 1, 4 and 5)*	PRC/Mainland China	US$1,000,000	–	100	Property development
Great Prosper Limited *(note 1)*	Hong Kong	Ordinary HK$100	100	100	Investment holding and provision of sales and marketing services
Tysan Property Development (Tianjin) Company Limited* ("**Tysan Tianjin**") *(notes 1, 3 and 5)*	PRC/Mainland China	US$5,000,000	–	100	Property development
Sparkle Key Limited *(note 1)*	Hong Kong	Ordinary HK$10,000	100	100	Investment holding
Tysan Land (Shenyang) Limited* ("**Tysan Shenyang**") *(notes 1 and 3)*	PRC/Mainland China	US$108,300,000	100	100	Property development
Gainful Engineering Limited *(note 1)*	Hong Kong	Ordinary HK$1	100	100	Project management
Omnilink Assets Limited*	BVI	Ordinary HK$1	100	100	Investment holding
Onwards Asia Limited* *(notes 1 and 5)*	BVI	Ordinary HK$1	–	100	Investment holding
Top Genius Holdings Limited *(notes 1 and 5)*	Hong Kong	Ordinary HK$1	–	100	Property development
Twinpeak Assets Limited* *(notes 1 and 6)*	BVI	Ordinary HK$1	100	100	Investment holding
Milway Development Limited (notes 1 and 6)	Hong Kong	Ordinary HK$1	100	100	Property development
Silverbell Asia Limited*	BVI	Ordinary HK$1	100	100	Corporate financing

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Benefit Developments Limited*	BVI	Ordinary HK$1	100	100	Investment
HKICIM (GP) II Limited* *(note 1)*	Cayman Islands	Ordinary US$1	100	100	Investment
Benefit Developments III Limited*	BVI	Ordinary HK$1	100	100	Investment
HKICIM (GP) III Limited* *(note 1)*	Cayman Islands	Ordinary US$1	100	100	Investment

Notes:

1. Held through subsidiaries.

2. The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of 5% per annum for any financial year during which the net profit of the relevant company available for dividends exceeds HK$1 billion), no rights to vote at general meetings, no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed in such a winding-up of a sum of HK$1,000 billion in respect of each ordinary share).

3. These entities are registered as wholly-foreign-owned enterprises under the PRC law.

4. This entity was registered as a Sino-foreign joint venture under the PRC law.

5. These entities were disposed of during the year. Details of the disposals were disclosed in note 42 to the financial statements.

6. These entities were disposed of subsequent to the end of the reporting period. Details of the disposals were disclosed in note 46(a) to the financial statements.

* Subsidiaries whose statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instrument which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspect of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial performance upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification and Measurement

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets measured at amortised cost and at fair value through profit or loss remain the same. Trade receivables, financial assets included in prepayments, deposits and other receivables, pledged bank balances and cash and cash equivalents which are previously classified as loans and receivables under HKAS 39 are classified as financial assets at amortised cost upon initial application of HKFRS 9. The carrying amounts for all financial assets at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss ("**ECL**") model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected credit loss based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and contract assets. Furthermore, the Group applies the general approach and record twelve-month expected credit loss that are estimated based on the possible default events on its other receivables and other financial assets at amortised cost within the next twelve months. There is no impact on the Group's accumulated impairment losses recorded on financial assets at 1 January 2018 upon initial adoption of the ECL requirements under HKFRS 9.

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

Construction Services

Before the adoption of HKFRS 15, contract balances relating to construction contracts in progress were presented in the statement of financial position under "Amounts due from customers for contract works" or "Amounts due to customers for contract works" respectively. Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognise the related revenue before being unconditionally entitled to the promised goods or services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets or contract liabilities on an individual contract basis.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Increase/ (decrease) *HK$'000*
Assets	
Amounts due from customers for contract works	(279,411)
Trade and retention receivables	(511,850)
Contract assets	700,350
Total assets	(90,911)
Liabilities	
Trade and retention payables and accruals	1,481
Amounts due to customers for contract works	(247,027)
Contract liabilities	148,706
Total liabilities	(96,840)
Equity	
Retained profits	5,929

Set out below are the amounts by which each financial statement line item was affected for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on the Group's other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Amounts prepared under		
		Previous	**Increase/**
	HKFRS 15	**HKFRS**	**(decrease)**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	2,971,170	3,030,858	(59,688)
Cost of sales	(2,846,748)	(2,900,621)	53,873
Gross profit	124,422	130,237	(5,815)
Profit before tax	493,232	499,047	(5,815)
Income tax expense	(132,336)	(132,336)	–
Profit for the year	360,896	366,711	(5,815)
Attributable to:			
Ordinary equity holders of the Company	360,908	366,723	(5,815)
Non-controlling interests	(12)	(12)	–
	360,896	366,711	(5,815)
Earnings per share attributable to ordinary equity holders of the Company			
Basic	HK10.64 cents	HK10.81 cents	(HK0.17 cent)
Diluted	HK10.59 cents	HK10.76 cents	(HK0.17 cent)

Consolidated statement of financial position as at 31 December 2018:

	Amounts prepared under		
	HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from customers for contract works	–	404,036	(404,036)
Trade and retention receivables	167,135	734,188	(567,053)
Contract assets	923,526	–	923,526
Total assets	1,090,661	1,138,224	(47,563)
Trade and retention payables and accruals	693,071	677,580	15,491
Amounts due to customers for contract works	–	132,365	(132,365)
Contract liabilities	69,197	–	69,197
Total liabilities	762,268	809,945	(47,677)
Net assets	328,393	328,279	114
Retained profits	1,169,963	1,169,849	114
Total equity	1,169,963	1,169,849	114

Sale of Properties

The Group's property development activities are carried out in the PRC and Hong Kong. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC and Hong Kong, the Group has assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon handover of the property to buyer, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the buyer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's sale of properties as deposits received in the consolidated statement of financial position. No significant financing component with a customer is recognised if the time period is one year or less.

The adoption of HKFRS 15 has had no significant impact on when the Group recognised revenue from sale of properties.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business* [2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
HKFRS 16	*Leases* [1]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material* [2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement* [1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$43,668,000 and lease liabilities of HK$43,668,000 will be recognised at 1 January 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in Associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair Value Measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of Non-Financial Assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties under development, properties held for sale, inventories, construction contract assets, financial assets and disposal groups classified as held for sale), the asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	**Over the lease terms**
Buildings	5%
Equipment and machinery	10% – $33^1/_3$%
Furniture and fixtures	20%
Motor vehicles	20%
Motor yacht	10%
Leasehold improvements	10% – $33^1/_3$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment Properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-Current Assets and Disposal Groups Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Properties Under Development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprises land cost, construction costs, professional fees, borrowing costs capitalised according to the Group's policy and other directly attributable expenses incurred during the development period. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

On completion of construction, the properties are transferred to properties held for sale.

Properties Held for Sale

Properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost includes the cost of land, interest capitalised during the period of development and other direct costs attributable to the development of the properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis, less all costs to completion, if applicable, and costs of marketing and selling.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and Other Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018)

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Amortised Cost (Debt Instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and Other Financial Assets (Policies Under HKAS 39 Applicable Before 1 January 2018)

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purposes of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-For-Sale Financial Investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Impairment of Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General Approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified Approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Financial Assets (Policies Under HKAS 39 Applicable Before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-For-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition of Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018 and Policies Under HKAS 39 Applicable Before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, other payables, interest-bearing bank and other borrowings and guaranteed notes.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial Guarantee Contracts (Policies Under HKFRS 9 Applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial Guarantee Contracts (Policies Under HKAS 39 Applicable Before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of Financial Liabilities (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of Financial Instruments (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative Financial Instruments (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current Versus Non-Current Classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction Contracts (Applicable Before 1 January 2018)

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fees earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from a contract customer.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to a contract customer.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside statement of profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue Recognition (Applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Construction Services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(b) Sale Of Properties Held For Sale

Revenue from sale of properties held for sale is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(c) Provision of Property and Fund Management Services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Machinery Engineering Services

Revenue from the provision of machinery engineering services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) Machinery Trading

Revenue from machinery trading is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the machineries.

Revenue from Other Sources

Rental income is recognised on a time proportion basis over the lease terms.

Other Income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue Recognition (Applicable Before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) From Foundation Piling and Site Investigation Contracts

On the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" above;

(b) From the Sale of Properties Held for Sale

When the significant risks and rewards of ownership have been transferred to the buyer;

(c) From Machinery Trading

When the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the machines sold;

(d) Rental Income from Property and Machinery Leasing

In the period in which the properties and machines are leased and on the straight-line basis over the lease terms;

(e) From the Rendering of Property and Fund Management Services

In the period in which such services are rendered;

(f) Interest Income

On an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) Dividend Income

When shareholder's right to receive payment has been established.

Contract Assets (Applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract Liabilities (Applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract Costs (Applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Employee Benefits

Share-Based Payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Paid Leave Carried Forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension Schemes

The Group operated a defined contribution provident fund (the "**Fund**") for certain of its employees in Hong Kong, the assets of which were held separately from those of the Group and were managed by an independent professional fund manager. Contributions under the Fund were made based on a percentage of the eligible employees' basic salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. The ongoing contributions to the Fund were terminated on 1 April 1999.

Following the introduction of the Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**"), the Group has restructured its retirement scheme arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The Group has secured a Mandatory Provident Fund exemption status for the Fund and, in addition, has participated in an approved defined contribution MPF Scheme with effect from 1 December 2001, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries located in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their covered payroll to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Current and Deferred Tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in notes 10 and 31 to the financial statements.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for Expected Credit Losses on Trade Receivables and Contract Assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 21 and note 22 to the financial statements, respectively.

Fair value of convertible bonds

The convertible bonds have been valued based on a multiple valuation technique as detailed in note 44 to the financial statements. The valuation requires the Group to determine the comparable companies and select the appropriate market multiples. In addition, the Group makes estimates about marketability discount and risk-free rate used. Management's estimation on the probability of potential investment is also involved. The Group classifies the fair value of the convertible bonds as Level 3. The fair value of the convertible bonds at 31 December 2018 was HK$833,732,000 (2017: Nil). Further details are disclosed in note 24 to the financial statements.

Impairment of Trade and Retention Receivables

Before 1 January 2018, the policy for impairment of trade and retention receivables of the Group is based on the evaluation of collectibility and ageing analysis of trade and retention receivables and on management's judgement. Significant judgement and estimates is required in assessing the ultimate realisation of these receivables, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. Further details are disclosed in note 21 to the financial statements.

Percentage of Completion of Construction Works

The Group recognises revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Corresponding contract revenue was also estimated by management based on contract sum and works values from variation works. Because of the nature of the activities undertaken for the construction contracts, the date at which the contracts are entered into and the date when the contract are completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

When determining the total budgeted costs, management makes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on material costs, labour costs and other costs for the completion of the projects provided by quantity survey department.

Mainland China Land Appreciation Taxes ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

Subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT. The Group has not yet finalised its LAT calculation and payments for certain of its property development projects with various tax authorities and the deductibility of expenditures incurred for each project is uncertain. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates with reference to the past experience, tax regulations and correspondences with local tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated financial statements in the period in which such determination is made. Further details are disclosed in note 10 to the financial statements.

Write-Down of Properties Under Development

The Group performs a regular review on the carrying amounts of properties under development. Based on management's review, write-down of properties under development will be made when the estimated net realisable value has declined below the carrying amount.

In determining whether write-down should be made for the Group's properties under development, the Group takes into consideration the current market environment and the estimated net realisable value (i.e. the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale). A write-down is made if the estimated or actual net realisable value of the properties under development is less than the carrying amount as a result of change in market condition and/or significant variation in the budgeted development cost. Further details are disclosed in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the foundation piling segment (including site investigation operation);

(b) the property development and investment segment;

(c) the investment segment; and

(d) the "corporate and others" segment comprises, principally, the Group's corporate operation, and machinery leasing and trading businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

The adjusted profit/loss before tax is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs and fair value gain/loss on derivative instrument are excluded from such measurement.

Segment assets exclude deferred tax assets, tax prepaid and time deposits as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year Ended 31 December 2018

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue: *(note 5)*										
Sales to external customers	2,530,539	2,494,053	282,973	738,420	122,206	6,443	35,452	51,240	2,971,170	3,290,156
Intersegment sales	393,409	100,560	–	–	–	–	1,151	1,815	394,560	102,375
Other income and gains, net	7,697	11,203	16,443	6,296	137,013	10,865	17,690	12,639	178,843	41,003
Total	2,931,645	2,605,816	299,416	744,716	259,219	17,308	54,293	65,694	3,544,573	3,433,534
Reconciliation:										
Elimination of intersegment sales									(394,560)	(102,375)
Revenue									3,150,013	3,331,159
Segment results	(23,306)	146,873	578,524	51,807	242,826	15,546	(285,903)	(83,055)	512,141	131,171

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest income									41,675	15,844
Fair value loss on derivative instrument – transaction not qualifying as hedge									–	(33,057)
Finance costs									(60,584)	(18,490)
Profit before tax									493,232	95,468
Income tax expense									(132,336)	(90,035)
Profit for the year									360,896	5,433
Assets and liabilities										
Segment assets	1,502,496	1,196,000	11,171,091	15,473,222	1,044,951	745,308	988,102	2,074,232	14,706,640	19,488,762
Unallocated									2,611,831	280,430
									17,318,471	19,769,192
Segment liabilities	708,062	775,201	475,430	474,569	2,092	455	338,568	324,217	1,524,152	1,574,442
Unallocated									3,631,656	5,976,749
									5,155,808	7,551,191
Other segment information:										
Depreciation	30,701	41,630	7,784	1,208	–	–	9,980	18,550	48,465	61,388
Impairment of contract assets	2,048	–	–	–	–	–	–	–	2,048	–
Impairment/(write-back of impairment) of other receivables	–	–	(144)	1,029	–	–	–	–	(144)	1,029
Write-off of other receivables	–	–	–	–	232	–	–	–	232	–
Write-down of properties under development	–	–	452,903	–	–	–	–	–	452,903	–
Loss/(gain) on disposal of items of property, plant and equipment, net	(4,669)	(6,969)	5	36	–	–	(20)	(375)	(4,684)	(7,308)
Loss/(gain) on disposal of subsidiaries, net	–	–	(1,030,771)	–	–	–	716	–	(1,030,055)	–
Gain on disposal of interests in an associate	–	–	–	–	–	–	(143)	–	(143)	–
Changes in fair value of investment properties	–	–	–	(23,175)	–	–	–	–	–	(23,175)
Gain on disposal of an investment fund at fair value through profit or loss	–	–	–	–	–	–	–	(11,163)	–	(11,163)
Fair value gain on financial assets at fair value through profit or loss	–	–	–	–	(137,012)	(10,865)	(16,765)	–	(153,777)	(10,865)
Capital expenditure	56,733	9,509	–	144	–	–	2,083	3,738	58,816	13,391

Geographical Information

(a) Revenue from External Customers

	Hong Kong		Macau		Elsewhere in the PRC		Consolidated	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	2,698,625	2,553,979	–	3,122	272,545	733,055	2,971,170	3,290,156

The revenue information above is based on the locations of the customers.

(b) Non-Current Assets

Hong Kong		Macau		Elsewhere in the PRC		Consolidated	
2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
256,467	246,081	–	–	–	18	256,467	246,099

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information About Major Customers

Revenue of approximately HK$565,430,000, HK$388,882,000 and HK$321,732,000 were derived from sales by the foundation piling segment to Customer A, Customer B and Customer C, respectively, during the year. Revenue of approximately HK$844,447,000 was derived from sales by the foundation piling segment to Customer A during the year ended 31 December 2017.

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Revenue from contracts with customers	2,951,990	–
Foundation piling and site investigation	–	2,494,053
Property development and investment	–	738,420
Management fee income from an investment fund	–	6,443
Others	–	51,240
Revenue from other sources		
Gross rental income	19,180	–
	2,971,170	3,290,156

Revenue from Contracts With Customers

(i) Disaggregated Revenue Information

For the year ended 31 December 2018

Segments	**Foundation piling**	**Property development and investment**	**Investment**	**Corporate and others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Types of goods or services					
Machinery trading	–	–	–	2,101	2,101
Sale of properties held for sale	–	266,654	–	–	266,654
Construction services	2,530,539	–	–	–	2,530,539
Machinery engineering services	–	–	–	20,062	20,062
Management services	–	10,428	122,206	–	132,634
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990
Geographical markets					
Hong Kong	2,530,539	10,428	122,206	22,163	2,685,336
Mainland China	–	266,654	–	–	266,654
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990
Timing of revenue recognition					
Good transferred at a point of time	–	266,654	–	2,101	268,755
Services transferred over time	2,530,539	10,428	122,206	20,062	2,683,235
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	Foundation piling *HK$'000*	Property development and investment *HK$'000*	Investment *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers					
External customers	2,530,539	277,082	122,206	22,163	2,951,990
Intersegment sales	393,409	–	–	1,151	394,560
	2,923,948	277,082	122,206	23,314	3,346,550
Intersegment adjustments and eliminations	(393,409)	–	–	(1,151)	(394,560)
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990

(ii) ***Performance Obligations***

Information about the Group's performance obligations is summarised below:

Construction Services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Sale of Properties Held for Sale

The performance obligation is satisfied when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property and payment is due upon delivery of the property to the customer.

Management Services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

Machinery Engineering Services

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide support services to the customer.

Machinery Trading

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	HK$'000
Within one year	2,185,433
More than one year	404,644
	2,590,077

The remaining performance obligations expected to be recognised in more than one year relate to construction services that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2018 *HK$'000*	**2017** *HK$'000*
Other income and gains:		
Interest income	41,675	15,844
Insurance claims	1,039	1,623
Subsidy income*	212	–
Fair value gains on financial assets at fair value through profit or loss	153,777	10,865
Gain on disposal of an investment fund at fair value through profit or loss	–	11,163
Management service income	–	247
Gain on disposal of interests in an associate *(note 16)*	143	–
Gain on disposal of items of property, plant and equipment	4,683	7,308
Foreign exchange gains, net	–	4,928
Write-back of impairment of an amount due from an associate	13	–
Write-back of impairment of other receivables	144	–
Others	18,832	4,869
	220,518	56,847

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

6. FINANCE COSTS

	2018 *HK$'000*	**2017** *HK$'000*
Interest on bank borrowings	169,452	115,576
Interest on other borrowing	18,764	–
Interest on guaranteed notes	24,864	7,944
Interest on loans from related companies	11,533	–
Less: Interest capitalised in properties under development *(note 17)*	(164,029)	(105,030)
	60,584	18,490

7. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of properties sold		201,931	639,055
Cost of foundation piling and site investigation works		2,557,712	2,355,902
Cost of services rendered		87,105	95,050
Depreciation	14	48,465	61,388
Minimum lease payments under operating leases		46,491	45,719
Auditor's remuneration		3,393	3,180
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		442,848	461,982
Equity-settled share option expense		160,060	–
Pension scheme contributions		15,814	18,816
		618,722	480,798
Foreign exchange losses/(gains), net*		42,069	(4,928)
Impairment/(write-back of impairment) of other receivables*	23	(115)	1,029
Write-back of impairment of other receivables included in disposal groups classified as held for sale*		(29)	–
		(144)	1,029
Impairment of contract assets*	22	2,048	–
Write-off of other receivables*		232	–
Gain on disposal of items of property, plant and equipment*		(4,683)	(7,308)
Gain on disposal of interests in an associate*	16	(143)	–
Fair value losses/(gains), net			
Financial assets at fair value through profit or loss*		(153,777)	(10,865)
Derivative instrument – transaction not qualifying as hedge*		–	33,057
Gain on disposal of an investment fund at fair value through profit or loss*		–	(11,163)
Changes in fair value of investment properties	15	–	(23,175)
Impairment/(write-back of impairment) of an amount due from an associate*		(13)	13
Write-down of properties under development*		452,903	–
Rental income from operating leases of machinery		(13,289)	(16,560)
Rental income from investment properties		(5,891)	(7,407)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		843	885

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Fees:		
Executive directors	–	–
Non-executive directors	673	288
Independent non-executive directors	1,619	1,392
Other emoluments:		
Salaries, allowances and benefits in kind	39,559	47,948
Equity-settled share option expense	114,806	–
Pension scheme contributions	63	81
	156,720	49,709

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements and the report of the directors. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

The remuneration paid or payable to each of the directors is as follows:

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option benefits	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018					
Executive directors:					
Mr. Chen Chao[1]	–	–	–	–	–
Mr. Sun Kin Ho Steven[2]	–	1,234	19,435	7	20,676
Mr. He Jiafu[2]	–	–	8,669	–	8,669
Mr. Fung Chiu Chak, Victor ("**Mr. Fung**")	–	25,410	10,165	18	35,593
Mr. Liu Junchun	–	6,159	10,165	11	16,335
Mr. Huang Qijun[3]	–	1,833	17,281	–	19,114
Mr. Guo Ke[4]	–	–	8,669	–	8,669
Mr. Zhang Peihua[5]	–	–	–	–	–
Mr. Mu Xianyi[6]	–	955	8,496	–	9,451
Mr. Wong Tai Lun Kenneth[7]	–	3,251	6,041	15	9,307
Mr. Mung Kin Keung[8]	–	–	–	–	–
Mr. Mung Hon Ting, Jackie[9]	–	717	3,726	12	4,455
Mr. Li Xiaoming[10]	–	–	3,726	–	3,726
	–	39,559	96,373	63	135,995
Non-executive directors:					
Mr. Tang King Shing[11]	336	–	4,066	–	4,402
Mr. Yang Han Hsiang[12]	119	–	4,623	–	4,742
Mr. Tang Kit[13]	218	–	1,987	–	2,205
	673	–	10,676	–	11,349
Independent non-executive directors:					
Mr. Fan Chor Ho	336	–	1,728	–	2,064
Mr. Tse Man Bun	336	–	1,728	–	2,064
Mr. Lung Chee Ming, George	336	–	1,728	–	2,064
Mr. Li Kit Chee	336	–	1,728	–	2,064
Mr. Leung Kai Cheung[14]	275	–	845	–	1,120
	1,619	–	7,757	–	9,376
Total	2,292	39,559	114,806	63	156,720

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option benefits	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017					
Executive directors:					
Mr. Huang Qijun[3]	–	925	–	–	925
Mr. Zhao Quan[16]	–	–	–	–	–
Mr. Fung	–	25,217	–	18	25,235
Mr. Chiu Chin Hung[17]	–	5,930	–	10	5,940
Mr. Lau Kin Fai[17]	–	5,855	–	10	5,865
Mr. Liu Junchun	–	3,600	–	20	3,620
Mr. Fan Ning[15]	–	1,265	–	–	1,265
Mr. Meng Yongtao[15]	–	1,195	–	–	1,195
Mr. Mu Xianyi[6]	–	–	–	–	–
Mr. Wong Tai Lun Kenneth[7]	–	3,711	–	18	3,729
Mr. Mung Hon Ting, Jackie[9]	–	250	–	5	255
Mr. Li Xiaoming[10]	–	–	–	–	–
	–	47,948	–	81	48,029
Non-executive directors:					
Mr. Tang King Shing[11]	144	–	–	–	144
Mr. Tang Kit[13]	144	–	–	–	144
	288	–	–	–	288
Independent non-executive directors:					
Mr. Fan Chor Ho	312	–	–	–	312
Mr. Tse Man Bun	312	–	–	–	312
Mr. Lung Chee Ming, George	312	–	–	–	312
Mr. Li Kit Chee	312	–	–	–	312
Mr. Leung Kai Cheung[14]	144	–	–	–	144
	1,392	–	–	–	1,392
Total	1,680	47,948	–	81	49,709

Notes:

1 Mr. Chen Chao was appointed as an executive director with effect from 26 October 2018.

2 Mr. Sun Kin Ho Steven and Mr. He Jiafu were appointed as executive directors with effect from 3 August 2018.

3 Mr. Huang Qijun was appointed as an executive director with effect from 15 July 2017.

4 Mr. Guo Ke was appointed as an executive director with effect from 24 August 2018.

5 Mr. Zhang Peihua was appointed as an executive director with effect from 9 November 2018.

[6] Mr. Mu Xianyi was appointed as an executive director with effect from 15 July 2017 and resigned with effect from 9 November 2018.

[7] Mr. Wong Tai Lun Kenneth was appointed as an executive director with effect from 26 January 2017 and resigned with effect from 26 October 2018.

[8] Mr. Mung Kin Keung was appointed as an executive director with effect from 1 February 2018 and resigned with effect from 3 August 2018.

[9] Mr. Mung Hon Ting, Jackie was appointed as an executive director with effect from 1 October 2017 and resigned with effect from 3 August 2018.

[10] Mr. Li Xiaoming was appointed as an executive director with effect from 29 December 2017 and resigned with effect from 24 August 2018.

[11] Mr. Tang King Shing was appointed as a non-executive director with effect from 15 July 2017.

[12] Mr. Yang Han Hsiang was appointed as a non-executive director with effect from 24 August 2018.

[13] Mr. Tang Kit was appointed as a non-executive director with effect from 15 July 2017 and resigned with effect from 24 August 2018.

[14] Mr. Leung Kai Cheung was appointed as an independent non-executive director with effect from 15 July 2017.

[15] Mr. Fan Ning and Mr. Meng Yongtao resigned as executive directors with effect from 15 July 2017.

[16] Mr. Zhao Quan resigned as an executive director with effect from 15 December 2017.

[17] Mr. Chiu Chin Hung and Mr. Lau Kin Fai resigned as executive directors with effect from 15 July 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2017: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2017: two) non-director highest paid employee are as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	8,042	8,869
Equity-settled share option expense	3,865	–
Pension scheme contributions	18	18
	11,925	8,887

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees 2018	2017
HK$4,000,000 to HK$4,500,000	–	1
HK$4,500,001 to HK$5,000,000	–	1
HK$11,500,001 to HK$12,000,000	1	–
	1	2

During the year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employee's remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	2018 *HK$'000*	2017 *HK$'000*
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	21,086	31,747
Elsewhere	175,576	14,175
	196,662	45,922
Overprovision in the prior years:		
PRC:		
Hong Kong	(65)	(60)
Elsewhere	(381)	(53,748)
	(446)	(53,808)
Deferred tax *(note 31)*	(63,880)	97,921
Total tax charge for the year	132,336	90,035

A reconciliation of the tax charge applicable to profit before tax at the statutory rates for the countries or regions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rates is as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	493,232	95,468
Tax at the statutory rates	152,551	13,208
Provision for land appreciation tax	23,790	10,807
Tax effect of land appreciation tax	1,983	53,350
Adjustments in respect of current tax of prior years	(446)	(53,808)
Income not subject to tax	(125,176)	(6,903)
Expenses not deductible for tax	159,777	28,568
Effect of withholding tax on the distributable profits of the Group's subsidiaries in Mainland China	10,113	(37,083)
Temporary difference arising from disposal groups held for sale	(78,809)	78,809
Tax losses utilised from prior years	(16,970)	(5,738)
Tax losses not recognised	5,523	8,825
Tax charge at the Group's effective rate	132,336	90,035

11. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 13 November 2017, Sparkle Key Limited (the "**Shenyang Seller**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hainan HNA Infrastructure Investment Group Co., Ltd. ("**HNA Infrastructure**"), a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange and a subsidiary of HNA Group Co., Ltd., for disposal of the Shenyang Seller's entire equity interest in Tysan Shenyang at a cash consideration of RMB762 million (the "**Shenyang Disposal**"). Tysan Shenyang is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Pinnacle, in Shenyang. It primarily derives its revenue from the sale of residential properties. Upon completion of the Shenyang Disposal, Tysan Shenyang will cease to be a subsidiary of the Company and the Company will no longer have any interest in the property development projects. As at 31 December 2017, the Shenyang Disposal had not been completed.

As at 31 December 2018, although some completion conditions, such as business licence update and change of legal representative, were completed, certain completion conditions, including but not limited to administrative procedures with the Ministry of Commerce for foreign investment enterprise and the receipt of consideration payment, originally expected to be completed in 2018, were delayed and remained not completed. The Group re-evaluated the progress and expects the Shenyang Disposal to be completed in 2019. Accordingly, the assets and liabilities of Tysan Shenyang as at 31 December 2018 were classified as disposal groups classified as held for sale.

The major classes of assets and liabilities classified as held for sale as at the end of the reporting period are as follows:

	Notes	2018 HK$'000	2017 HK$'000
Assets			
Property, plant and equipment	*14*	1,967	4,278
Investment properties	*15*	–	227,814
Available-for-sale investment		–	1,196
Deferred tax assets	*31*	–	960
Properties under development	*17*	–	14,864
Properties held for sale	*19*	1,165,888	1,460,278
Trade and retention receivables		55	496
Prepayments, deposits and other receivables		3,505	10,085
Tax prepaid		7,766	15,649
Cash and cash equivalents		23,683	448,337
Assets classified as held for sale		1,202,864	2,183,957
Liabilities			
Trade and retention payables and accruals *(note a)*		118,246	280,400
Contract liabilities *(note c)*		1,167	–
Other payables, deposits received and receipts in advance		2,048	34,824
Deposits received		–	54,428
Loans from related companies *(note b)*		334,748	–
Tax payable		1,121	5,428
Deferred tax liabilities	*31*	1,942	41,129
Liabilities directly associated with the assets classified as held for sale		459,272	416,209
Net assets directly associated with the disposal groups		743,592	1,767,748

Notes:

(a) Included in the balances as at 31 December 2018 are amount due to Tysan Shanghai of HK$2,118,000 and Tysan Tianjin of HK$198,000 which are unsecured, interest-free and have no fixed terms of repayment.

(b) As at 31 December 2018, the balances include a loan from Tysan Shanghai of HK$170,790,000 which is unsecured, bears interest at the interest rate published by The People's Bank of China ("**PBOC**") and is repayable on 29 September 2020, and a loan from Tysan Tianjin of HK$163,958,000 which is unsecured, bears interest at the interest rate published by PBOC and is repayable on 21 December 2019.

(c) Deposits received on properties sold as at 31 December 2018 which were previously included as "Deposits received" were reclassified to contract liabilities upon adoption of HKFRS 15.

As at 31 December 2017, the disposal groups classified as held for sale included the assets and liabilities of Tysan Shanghai, Tysan Tianjin and Tysan Shenyang. The disposals of Tysan Shanghai and Tysan Tianjin were completed on 30 April 2018, details of which were disclosed in note 42(a) to the financial statements.

Further details of the Shanghai Disposal (as defined in note 42(a)), Shenyang Disposal and Tianjin Disposal (as defined in note 42(a)) were disclosed in the Company's announcement dated 13 November 2017 and a circular dated 7 December 2017.

12. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2017 – HK10.0 cents (2016: HK10.0 cents) per ordinary share	340,249	113,416
Proposed final dividend:		
Final – Nil (2017: HK10.0 cents per ordinary share)	–	340,249

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$360,908,000 (2017: HK$6,004,000), and the weighted average number of ordinary shares of 3,391,088,497 (2017: 2,380,256,154) in issue during the year. The weighted average number of shares in issue for the year ended 31 December 2017 used in the basic earnings per share calculation have been adjusted to reflect the effect of the rights issue completed in June 2017.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$360,908,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive potential ordinary shares of share options into ordinary shares during the year of 3,407,641,645. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Equipment and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Motor yacht HK$'000	Leasehold improvements HK$'000	Total HK$'000
2018							
Cost:							
At beginning of year	213,166	898,164	5,986	14,312	6,098	18,970	1,156,696
Additions	–	58,160	606	50	–	–	58,816
Disposals/write-off	–	(32,249)	(776)	(219)	(86)	(198)	(33,528)
Disposal of subsidiaries *(note 42(c))*	–	(93)	–	–	–	–	(93)
Exchange realignment	–	(4)	–	–	–	–	(4)
At 31 December 2018	213,166	923,978	5,816	14,143	6,012	18,772	1,181,887
Accumulated depreciation and impairment:							
At beginning of year	51,590	826,041	4,309	10,273	6,098	14,265	912,576
Depreciation provided during the year	7,788	36,737	540	1,514	–	1,886	48,465
Disposals/write-off	–	(32,226)	(616)	(219)	(86)	(198)	(33,345)
Disposal of subsidiaries *(note 42(c))*	–	(79)	–	–	–	–	(79)
At 31 December 2018	59,378	830,473	4,233	11,568	6,012	15,953	927,617
Net carrying amount:							
At 31 December 2018	153,788	93,505	1,583	2,575	–	2,819	254,270
At 31 December 2017	161,576	72,123	1,677	4,039	–	4,705	244,120

	Land and buildings	Equipment and machinery	Furniture and fixtures	Motor vehicles	Motor yacht	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017							
Cost:							
At beginning of year	215,235	930,711	5,661	19,674	6,098	20,710	1,198,089
Additions	–	9,868	671	369	–	2,483	13,391
Disposals/write-off	–	(39,938)	(178)	(726)	–	(2,007)	(42,849)
Assets included in disposal groups classified as held for sale *(note 11)*	(2,227)	(2,692)	(182)	(5,405)	–	(2,458)	(12,964)
Exchange realignment	158	215	14	400	–	242	1,029
At 31 December 2017	213,166	898,164	5,986	14,312	6,098	18,970	1,156,696
Accumulated depreciation and impairment:							
At beginning of year	44,283	818,728	3,859	12,929	6,098	15,209	901,106
Depreciation provided during the year	7,871	48,567	664	1,998	–	2,288	61,388
Disposals/write-off	–	(39,121)	(119)	(676)	–	(2,007)	(41,923)
Assets included in disposal groups classified as held for sale *(note 11)*	(605)	(2,321)	(103)	(4,287)	–	(1,370)	(8,686)
Exchange realignment	41	188	8	309	–	145	691
At 31 December 2017	51,590	826,041	4,309	10,273	6,098	14,265	912,576
Net carrying amount:							
At 31 December 2017	161,576	72,123	1,677	4,039	–	4,705	244,120
At 31 December 2016	170,952	111,983	1,802	6,745	–	5,501	296,983

Certain of the Group's land and buildings were pledged to a bank as security for certain banking facilities granted to the Group (note 28).

Certain of the Group's equipment and machinery are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

15. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
Carrying amount at beginning of year	–	189,250
Fair value changes *(note 7)*	–	23,175
Assets included in disposal groups classified as held for sale *(note 11)*	–	(227,814)
Exchange realignment	–	15,389
Carrying amount at end of year	–	–

The Group's investment properties as at 31 December 2017, which were included in assets of disposal groups held for sale, consisted of commercial properties in Mainland China. The directors of the Company had determined that the investment properties were commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2017 based on valuations performed by Vigers Appraisal and Consulting Limited ("**Vigers**"), a firm of independent professionally qualified property valuers, at HK$227,814,000. During the year ended 31 December 2018, the investment properties were disposed of upon the disposal of a subsidiary completed on 30 April 2018 (note 42(a)).

As at 31 December 2017, the investment properties were leased to third parties under operating leases, further summary details of which were included in note 36(a) to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Commercial properties	–	–	227,814	227,814

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties
	HK$'000
Carrying amount at 1 January 2017	189,250
Fair value changes	23,175
Exchange realignment	15,389
Carrying amount at 31 December 2017 and 1 January 2018	227,814
Disposal of a subsidiary *(note 42(a))*	(235,810)
Exchange realignment	7,996
Carrying amount at 31 December 2018	–

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as at 31 December 2017:

	Valuation techniques	**Significant unobservable inputs**	**Range (weighted average) 2017**
Commercial properties in Mainland China	Direct comparison approach	Property-specific adjustment rate	–38% to –9% (-20%)

As at 31 December 2017, the fair value of the Group's investment properties, included in assets of disposal groups classified as held for sale, was determined using the direct comparison approach by reference to the recent sales price of comparable properties in the open market, adjusted for size, location, floor level and quality of the Group's investment properties compared to the recent sales. The fair value measurement was positively correlated to the unobservable input that the higher the adjustment rate would resulted in a higher fair value.

16. INTERESTS IN AN ASSOCIATE

	2018	**2017**
	HK$'000	*HK$'000*
Share of net assets	–	–
Amount due from an associate	–	399
	–	399
Less: Impairment	–	(399)
	–	–

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

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group 2018	2017	Principal activity
Turbo Dragon Investment Limited ("**Turbo Dragon**")	Ordinary share	Hong Kong	–	50	Investment holding

On 14 December 2018, Tysan Investment Limited ("**TIL**"), a wholly-owned subsidiary of the Company, and Mr. Fung, who is an executive director of the Company, entered into a sale and purchase agreement pursuant to which TIL disposed of its 50% equity interest in Turbo Dragon, and assigned the shareholder's loan of HK$386,000 owed by Turbo Dragon to TIL, at a cash consideration of HK$143,000. The disposal was completed on 14 December 2018. Upon completion of the disposal, the Group did not have any interest in Turbo Dragon. The gain on the disposal of HK$143,000, representing the difference between the consideration of HK$143,000 and the Group's interest in Turbo Dragon as at the date of disposal of Nil, was recognised in the consolidated statement of profit or loss for the year.

17. PROPERTIES UNDER DEVELOPMENT

	2018 *HK$'000*	2017 *HK$'000*
Cost at beginning of year	13,214,929	14,286
Additions during the year	322,694	13,109,899
Transfer to properties held for sale *(note 19)*	–	(488)
Interest capitalised *(note 6)*	164,029	105,030
Assets included in disposal groups classified as held for sale *(note 11)*	–	(14,864)
Disposal of subsidiaries *(note 42(b))*	(5,772,749)	–
Exchange realignment	–	1,066
Cost at end of year	7,928,903	13,214,929
Less: provision	(452,903)	–
Balance at end of year	7,476,000	13,214,929

As at 31 December 2018, a write-down of HK$452,903,000 is recognised with reference to a valuation report performed by an independent property valuer based on expected future selling prices and costs necessary to complete the sale of the property.

As at 31 December 2018, the Group's properties under development with an aggregate carrying amount of HK$7,476,000,000 (2017: HK$13,214,929,000) were pledged to secure certain of the Group's bank loans (note 28).

18. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	19,058	3,372
Spare parts and others	13,254	24,997
	32,312	28,369

19. PROPERTIES HELD FOR SALE

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	–	1,883,003
Additions	–	39,724
Transfer from properties under development *(note 17)*	–	488
Properties sold during the year	–	(579,109)
Assets included in disposal groups classified as held for sale *(note 11)*	–	(1,460,278)
Exchange realignment	–	116,172
At end of year	–	–

20. CONSTRUCTION CONTRACTS

	2018	2017
	HK$'000	*HK$'000*
Amounts due from customers for contract works	–	279,411
Amounts due to customers for contract works	–	(247,027)
	–	32,384
Contract costs incurred plus recognised profits less recognised losses to date	–	11,504,352
Less: Progress billings received and receivable	–	(11,471,968)
	–	32,384

21. TRADE AND RETENTION RECEIVABLES

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

	2018	**2017**
	HK$'000	*HK$'000*
Trade and retention receivables	167,164	638,839
Impairment	(29)	(29)
	167,135	638,810

Included in the trade and retention receivables are amounts due from related companies of HK$32,291,000 (2017: HK$111,454,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2018	**2017**
	HK$'000	*HK$'000*
Trade receivables:		
Within 90 days	164,729	401,869
91 to 180 days	1,296	12,637
181 to 360 days	558	2,154
Over 360 days	552	333
	167,135	416,993
Retention receivables	–	221,817
	167,135	638,810

As at 31 December 2017, retention receivables, amounting to HK$178,063,000 were expected to be recovered within twelve months after the end of the reporting period.

The movements in the loss allowance for individual impairment of trade receivables are as follows:

	2018	**2017**
	HK$'000	*HK$'000*
At beginning and end of year	29	29

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by service type, customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	**Less than 1 year**	**1 to 3 years**	**Over 3 years**	**Total**
Expected credit losses rate	0%	0%	0%	100%	0.02%
Gross carrying amount (HK$'000)	131,970	34,614	551	29	167,164
Expected credit losses (HK$'000)	–	–	–	29	29

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of HK$29,000 with a gross carrying amount before provision of HK$29,000. The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties and the receivables from these customers were not expected to be fully recoverable.

The ageing analysis of the trade and retention receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017
	HK$'000
Neither past due nor impaired	604,715
1 to 90 days past due	19,816
91 to 270 days past due	13,955
More than 270 days past due	324
	638,810

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The carrying amounts of the trade and retention receivables approximated to their fair values.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2018	**1 January 2018**	**31 December 2017**
	HK$'000	*HK$'000*	*HK$'000*
Contract assets arising from:			
Construction services	924,249	699,754	–
Others	1,325	596	–
	925,574	700,350	–
Impairment	(2,048)	–	–
	923,526	700,350	–

The excess of cumulative revenue recognised in profit or loss over the cumulative billings for construction services is recognised as contract assets. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 was the result of the increase in the ongoing provision of construction services at the end of the year. The Group's trading terms and credit policy with customers are disclosed in note 21 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	2018
	HK$'000
Within one year	694,141
More than one year	229,385
Total contract assets	923,526

The movements in the loss allowance for impairment of contract assets are as follows:

	2018
	HK$'000
At the beginning of the year	–
Impairment losses *(note 7)*	2,048
At end of year	2,048

Included in the above impairment allowance for contract assets is an allowance for an individually impaired contract asset of HK$2,048,000 (2017: Nil) which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Except for the specific impairment allowance mentioned above, an impairment analysis is performed at each reporting date on the remaining contract assets using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, the expected credit losses of contract assets were minimal as at 31 December 2018.

(b) Contract liabilities

	31 December 2018	**1 January 2018**
	HK$'000	*HK$'000*
Contract liabilities arising from:		
Construction services	69,197	167,378

The excess of cumulative billings for construction work over the cumulative work revenue recognised in profit or loss is recognised as contract liabilities.

Included in contract assets is an amount due from a related company of HK$1,254,000 (2017: Nil), which represents a retention receivable and is recoverable on credit terms similar to those offered to the major customers of the Group.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Deposits for acquisition of items of property, plant and equipment		335	41
Advance payment for capital injection to a fund	*(i)*	367,700	–
Consideration receivable	*(ii)*	581,597	–
Due from Tysan Building Construction Company Limited	*(iii)*	102	–
Prepayments and deposits		39,272	23,283
Other receivables		46,935	22,230
Less: Impairment allowance		(293)	(5,207)
		1,035,648	40,347
Less: Prepayments, deposits and other receivables classified as non-current assets		(2,197)	(899)
		1,033,451	39,448

Notes:

(i) Balance represented advance payment for capital injection of HK$367,700,000 made during the year to Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership) ("**Hengqin Zhonghang**"), of which the general partner and the initial limited partner are subsidiaries of HNA Group Co., Ltd. ("**HNA Group**"), which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

(ii) Balance represented remaining consideration receivables of RMB510,800,000 (equivalent to approximately HK$581,597,000) from Hainan HNA Shou Fu Investment Co., Ltd. ("**HNA Shou Fu**"), a subsidiary of HNA Group, for disposal of subsidiaries, details of which are set out in note 42(a) to the financial statements. The balance is fully settled to the Group in March 2019.

(iii) Balance represented an amount due from Tysan Building Construction Company Limited ("**TBC**"), a related company of the Company, of HK$102,000 which is unsecured, interest-free and repayable on demand. TBC is controlled by Mr. Fung.

The movements in loss allowance of other receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	5,207	3,888
Impairment losses recognised *(note 7)*	–	1,029
Impairment losses written back *(note 7)*	(115)	–
Impairment losses written off	(411)	–
Assets included in disposal groups classified as held for sale	–	(28)
Disposal of subsidiaries	(4,180)	–
Exchange realignment	(208)	318
At end of year	293	5,207

Expected credit losses on other receivables are estimated by applying a loss rate approach with reference to historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for as at 31 December 2018 was 0.05%.

As at 31 December 2018, except for other receivables of HK$293,000 (2017: HK$5,207,000) which were fully impaired, none of the above assets was either past due or impaired and the financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2018 *HK$'000*	2017 *HK$'000*
Unlisted investment funds, at fair value	*(i)*	96,519	738,865
Unlisted wealth management investment in a fund, at fair value	*(ii)*	362,011	–
Convertible bonds, at fair value	*(iii)*	833,732	–
		1,292,262	738,865

Notes:

(i) During the year ended 31 December 2017, the Group entered into an amended and restated exempted limited partnership agreement with Hisea International Co., Ltd ("**Hisea International**") in relation to the formation of HKICIM Fund II, L.P. ("**Fund II**") and subscribed 12.07% of the committed fund size amounting to HK$728,000,000. Hisea International was a then wholly-owned subsidiary of HNA Holding Group Co., Ltd. ("**HNA Holding Group**"), which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

During the year ended 31 December 2018, the Group entered into an amended and restated exempted limited partnership agreement with Hisea International in relation to the formation of HKICIM Fund III, L.P. ("**Fund III**") and subscribed 16.57% of the committed fund size amounting to HK$633,160,000.

Fund II and Fund III (collectively, the "**Funds**") primarily invested in Total Thrive Holdings Limited ("**Total Thrive**") and Sky Hero Developments Limited ("**Sky Hero**") (which, through intermediate holding companies, holding two property development projects at Kai Tak, Kowloon). On 12 February 2018, the Funds entered into separate sale and purchase agreements in relation to the disposal of their entire equity interests in Total Thrive and Sky Hero with Shibo Investment Limited and Easco Investment Limited, wholly-owned subsidiaries of Henderson Land Development Company Limited. This disposal was completed on 14 February 2018. Further details of this disposal were set out in the Company's announcement dated 12 February 2018.

During the year, the Funds have returned the initial committed capital of HK$1,361,160,000 in total to the Group. The fair values of the Funds as at 31 December 2018 were HK$96,519,000 (2017: HK$738,865,000) which were estimated with reference to the fair values of the underlying assets held by the Funds and aggregate fair value gains of HK$103,280,000 (2017: HK$10,865,000) were resulted and credited to the consolidated statement of profit or loss during the year.

(ii) During the year, the Group purchased an unlisted investment fund from a third party financial institution at a cost of HK$345,246,000 and was classified as held for trading. As at 31 December 2018, the fair value of the unlisted investment fund was HK$362,011,000 based on the quoted prices from the fund manager and a fair value gain of HK$16,765,000 was resulted and credited to the consolidated statement of profit or loss during the year.

(iii) On 30 June 2018, the Group subscribed for 3-year unsecured convertible bonds of an aggregate principal amount of HK$800,000,000, which bear interest at 8% per annum and carry a conversion option to convert the convertible bonds into 95% of the issued and outstanding share capital of Holistic Capital Investment Limited ("**Holistic**"), an indirectly wholly-owned subsidiary of Hong Kong Airlines Limited ("**HKA**"). The Group has the right to convert the bonds to issued share capital of Holistic at any time prior to the maturity date and to request early redemption of the bonds at any time after 31 December 2018 if the potential investment has not been consummated on or before 31 December 2018. The convertible bonds are irrevocably and unconditionally guaranteed by HKA and Hong Kong Air Cargo Carrier Limited, a subsidiary of HKA and the sole shareholder of the convertible bonds issuer. The fair value of the convertible bonds as at 31 December 2018 was HK$833,732,000, based on an external valuation report prepared by Vigers, an independent professional valuer, and a fair value gain of HK$33,732,000 was resulted and credited to the consolidated statement of profit or loss during the year.

25. STRUCTURED DEPOSITS, CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED BANK BALANCES

	Notes	2018 HK$'000	2017 HK$'000
Structured deposits	(a)	580,686	–
Time deposits	(b)	2,000,000	250,000
Cash and bank balances			
– Non-pledged balances		854,257	2,077,460
– Pledged balances		37,469	41,414
– Restricted cash	(c)	1,430,897	–
Total cash and bank balances	(b)	2,322,623	2,118,874
Total time deposits and cash and bank balances		4,322,623	2,368,874
Less: Pledged and restricted bank balances			
– pledged for bank borrowings	28(d)	(37,469)	–
– pledged for performance bonds	38(a)	–	(41,414)
– restricted cash		(1,430,897)	–
		(1,468,366)	(41,414)
Cash and cash equivalents		2,854,257	2,327,460

	2018 HK$'000	2017 HK$'000
Denominated in:		
Renminbi ("**RMB**")	592,846	15,057
HK$	4,310,089	1,741,676
United States dollars ("**US$**")	241	611,764
Macao patacas ("**MOP**")	80	309
Other currencies	53	68
	4,903,309	2,368,874

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Notes:

(a) The structured deposits are wealth management products issued by a bank in Mainland China with fixed maturity dates and are classified as financial assets at fair value through profit or loss at 31 December 2018 as their contractual cash flows are not solely payments of principal and interest. The deposits are made for a period of 1 year. The interest rates on the structured deposits fluctuate based on changes in the London Interbank Offered Rate ("**LIBOR**"). The Group uses structured deposits primarily to enhance the return on investment.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 6 months to 1 year (2017: 7 days to 3 months) depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

(c) In accordance with the terms and conditions set out in the relevant bank loan agreements, the cash are required to be deposited into a designated bank account and restricted to be used for the construction of the relevant properties.

26. TRADE AND RETENTION PAYABLES AND ACCRUALS

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

	2018 *HK$'000*	**2017** *HK$'000*
Trade payables:		
Within 90 days	370,655	243,992
91 to 180 days	879	359
Over 180 days	25	204
	371,559	244,555
Retention payables	74,348	75,197
Accruals	247,164	261,716
	693,071	581,468

The trade and retention payables are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2018, retention payables, amounting to HK$43,131,000 (2017: HK$63,240,000) were expected to be repayable within twelve months after the end of the reporting period.

27. OTHER PAYABLES, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

As at 31 December 2017, included in receipts in advance are amounts received from related companies of HK$29,057,000.

Other payables are non-interest-bearing and have an average term of one month.

28. INTEREST-BEARING BANK BORROWINGS

	2018			**2017**		
	Effective interest rate (%)	**Maturity**	*HK$'000*	**Effective interest rate (%)**	**Maturity**	*HK$'000*
Secured:						
Bank loans	2.6–5.4	2019–2022	3,163,628	2.5–2.8	2018	5,805,434
Instalment loans	2.6	2019–2031	70,664	2.5	2018–2031	74,583
Total bank borrowings			3,234,292			5,880,017

	2018	2017
	HK$'000	*HK$'000*
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	232,952	5,809,375
In the second year	4,053	4,040
In the third to fifth years, inclusive	2,947,458	12,739
Beyond five years	49,829	53,863
	3,234,292	5,880,017
Portion due within one year, classified as current liabilities	(232,952)	(5,809,375)
Long term portion	3,001,340	70,642

As at 31 December 2018, the Group's secured bank borrowings were secured by:

(a) mortgages over certain of land and buildings of the Group with a carrying amount of HK$153,505,000 (2017: HK$161,283,000) (note 14);

(b) mortgages over properties under development of the Group with an aggregate carrying amount of HK$7,476,000,000 (2017: HK$13,214,929,000) (note 17);

(c) charges over shares of certain subsidiaries of the Company;

(d) fixed charges over bank balances of the Group amounting to HK$37,469,000 (2017: Nil) (note 25); and

(e) floating charges over bank balances and prepayments and deposits of the Group amounting to HK$1,437,492,000 (2017: HK$5,713,000) and HK$4,840,000 (2017: Nil).

In addition, the Company has executed guarantees in respect of borrowing facilities granted to certain of its subsidiaries (note 38(a)).

All of the bank borrowings of the Group bear interest at floating interest rates. The carrying amounts of the bank borrowings approximate to their fair values.

The Group's bank borrowings are denominated in Hong Kong dollars.

29. INTEREST-BEARING OTHER BORROWING

	2018			2017		
	Effective interest rate (%)	**Maturity**	*HK$'000*	**Effective interest rate (%)**	**Maturity**	*HK$'000*
Unsecured:						
Other loan	6.9	2020–2021	300,000	–	–	–

	2018	2017
	HK$'000	*HK$'000*
Analysed into:		
Other borrowing repayable:		
In the third to fifth years, inclusive	300,000	–

The Group's other borrowing is unsecured, bears interest at 4.75% above the Hong Kong Interbank Offered Rate ("**HIBOR**") per annum and is repayable by 3 semi-annual equal instalments commencing from 9 January 2020. The Company has executed guarantees in respect of this borrowing. The other borrowing is denominated in Hong Kong dollars.

30. GUARANTEED NOTES

During the year ended 31 December 2017, Silverbell Asia Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes with an aggregate principal amount of HK$305,000,000 (the "**Guaranteed Notes**") under a US$1,000,000,000 medium term note programme established by Silverbell Asia Limited on 7 April 2017.

The Guaranteed Notes bear interest at a fixed rate of 7% per annum payable semi-annually in arrears and will mature on 26 July 2020. The Guaranteed Notes are guaranteed by the Company.

The net proceeds of the Guaranteed Notes, after deducting the issue expenses of HK$10,849,000, were approximately HK$294,151,000.

	2018	**2017**
	HK$'000	*HK$'000*
At beginning of year	295,343	–
Issue of Guaranteed Notes	–	305,000
Issue expenses	–	(10,849)
Amortisation of issue expenses	3,514	1,192
Carrying amount at end of year	298,857	295,343

The effective interest rate of the Guaranteed Notes is 8.37% per annum.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred Tax Liabilities

	Revaluation of investment properties	Allowance in excess of related depreciation	Withholding taxes	Temporary difference arising from disposal groups classified as held for sale	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	(32,633)	(6,364)	(68,936)	–	(107,933)
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(5,798)	1,825	37,083	(78,809)	(45,699)
Withholding tax paid on repatriation of earnings from subsidiaries in Mainland China	–	–	24,156	–	24,156
Liabilities included in disposal groups classified as held for sale *(note 11)*	41,129	–	–	–	41,129
Exchange realignment	(2,698)	–	(3,733)	–	(6,431)
At 31 December 2017 and 1 January 2018	–	(4,539)	(11,430)	(78,809)	(94,778)
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	–	(1,792)	(10,113)	78,809	66,904
Withholding tax paid on repatriation of earnings from subsidiaries in Mainland China	–	–	10,527	–	10,527
Exchange realignment	–	–	119	–	119
At 31 December 2018	–	(6,331)	(10,897)	–	(17,228)

Deferred Tax Assets

	Provision for land appreciation tax *HK$'000*	Depreciation in excess of related allowance *HK$'000*	Total *HK$'000*
At 1 January 2017	52,456	–	52,456
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(53,350)	1,128	(52,222)
Assets included in disposal groups classified as held for sale *(note 11)*	(960)	–	(960)
Exchange realignment	1,854	–	1,854
At 31 December 2017 and 1 January 2018	–	1,128	1,128
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	–	(761)	(761)
At 31 December 2018	–	367	367

As at 31 December 2018, deferred tax assets of HK$1,942,000 (2017: deferred tax liabilities of HK$41,129,000 and deferred tax assets of HK$960,000) are included in assets/liabilities included in disposal groups classified as held for sale (note 11). During the year ended 31 December 2018, the relevant net deferred tax charged to the statement of profit or loss is HK$2,263,000 with a net exchange realignment of HK$1,331,000 while the deferred tax liabilities of HK$42,856,000 and deferred tax assets of HK$1,035,000 are disposed of upon the completion of Shanghai Disposal and Tianjin Disposal (note 42(a)).

The Group has tax losses arising in Hong Kong of HK$250,395,000 (2017: HK$311,696,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the Corporate Income Tax ("**CIT**") Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2018 *HK$'000*	2017 *HK$'000*
Authorised:		
6,000,000,000 ordinary shares of HK$0.10 each	600,000	200,000
Issued and fully paid:		
3,364,835,709 (2017: 3,402,497,709) ordinary shares of HK$0.10 each	336,483	340,249

Pursuant to an ordinary resolution passed at the special general meeting of the Company on 18 May 2017, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 of HK$0.10 each to HK$600,000,000 divided into 6,000,000,000 of HK$0.10 each by the creation of 4,000,000,000 additional ordinary shares of HK$0.10 each, ranking pari passu in all respects with the existing shares of the Company.

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

	Notes	**Number of shares in issue**	**Share capital**	**Share premium account**	**Total**
			HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017		1,134,165,903	113,416	1,032,150	1,145,566
Issue of shares	*(a)*	2,268,331,806	226,833	9,027,961	9,254,794
Share issue expenses		–	–	(4,174)	(4,174)
At 31 December 2017 and 1 January 2018		3,402,497,709	340,249	10,055,937	10,396,186
Shares repurchased	*(b)*	(38,862,000)	(3,886)	(54,129)	(58,015)
Share options exercised	*(c)*	1,200,000	120	2,481	2,601
At 31 December 2018		3,364,835,709	336,483	10,004,289	10,340,772

Notes:

(a) In June 2017, the Company completed the rights issue of 2,268,331,806 ordinary shares of HK$0.10 each on the basis of two rights shares for every one share held of the Company at a subscription price of HK$4.08 per rights share (the "**Rights Issue**"). The net proceeds before share issue expenses from the Rights Issue were approximately HK$2,323,624,000, after setting off an amount of HK$6,931,170,000 (being the subscription price receivable for rights shares subscribed by the Company's immediate holding company) against the amount owed by the Company to the immediate holding company.

(b) During the year ended 31 December 2018, the Company purchased 38,862,000 of its own ordinary shares on the Hong Kong Stock Exchange for a total consideration of HK$58,015,000. The purchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value of approximately HK$3,886,000. The premium paid on the purchase of the shares of HK$54,129,000, including transaction costs, has been charged to the share premium of the Company.

(c) The subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK$1.75 per share (note 33), resulting in the issue of 1,200,000 shares for a total consideration of HK$2,100,000. An amount of HK$501,000 was transferred from share option reserve to share capital and share premium upon exercise of the share options.

Share Options

Details of the Company's share option scheme are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

On 8 August 2012, the Company adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time. No share option has been granted under the Share Option Scheme during the year.

A summary of the Share Option Scheme of the Company is as follows:

Purpose	To enable the board of directors (the "**Board**") to grant options to reward eligible participants who, in the sole and absolute opinion of the Board, would contribute or benefit or had contributed or benefited to the business, development and growth (and any other aspect whatsoever) of the Group and/or any of the entities in which any member of the Group holds any equity interest, and to provide incentives to eligible participants to perform their best in achieving the goals of the Group in the interests and benefits of the Company and the shareholders of the Company as a whole, while at the same time allowing the eligible participants to share the fruits of the Company's business achieved through their effort and contribution, as well as to enable the Group to recruit high quality employees who are valuable to the management and long term business and financial goals and success of the Group.
Eligible participants	A person who is entitled to participate in the Share Option Scheme, being any full-time or part-time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of the Company or any of the subsidiaries or any of the interested entities and any contractors, advisors, consultants, agents, suppliers or providers (of, for example, goods, plants and machineries, materials or services), customers, distributors, business ally or joint venture partners of the Group who, in the sole and absolute opinion of the Board, will contribute or benefit or have contributed or benefited to the business, development and growth (and any other aspect whatsoever) of the Company and/or any of the subsidiaries and/or any of the interested entities.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	87,266,590 ordinary shares and 10% of the issued share capital, on the basis of 872,665,903 shares in issue as at the date of the Company's special general meeting on 8 August 2012.
Maximum entitlement of each participant	Shall not exceed 1% of the issued share capital of the Company in any 12-month period.
Period within which the securities must be taken up under an option	To be determined by the Board on a case-to-case basis at its absolute discretion and notified to the grantee thereof, provided that the expiry date of the said period shall not be later than ten (10) years from the date of grant of the option concerned.
Minimum period for which an option must be held before it can be exercised	To be determined at the discretion of the Board.
Amount payable on acceptance	Nil.

Basis for determining the exercise price	In respect of any particular option: the price per share payable to the Company on the exercise of the option as may be decided upon and prescribed by the Board on a case-to-case basis, bearing in mind the purpose of the Share Option Scheme, in its absolute discretion upon the grant of the option, provided that such exercise price shall not be less than the highest of the following: (a) the nominal value of a share; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; and (c) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option, or where applicable, the exercise price for the option concerned (referred to (a) to (c) above) as may be adjusted by the Board from time to time pursuant to the rules of the Share Option Scheme concerning adjustments of, inter alia, the exercise price upon the occurrence of any relevant event as defined in the Share Option Scheme.
The remaining life of the scheme	The Share Option Scheme remains in force for a period of ten (10) years commencing from 8 August 2012 and expiring at the close of business hours of the Company on 7 August 2022.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

	2018	
	Weighted average exercise price	**Number of options**
	HK$ per share	*'000*
At beginning of year	–	–
Granted during the year	1.78	385,830
Exercised during the year	1.75	(1,200)
Exercised but shares not yet allotted during the year	1.75	(1,200)
Lapsed during the year	1.75	(67,300)
At end of year	1.79	316,130

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018 Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise periods**
99,070	1.75	20-7-2018to 19-7-2028
97,370	1.75	1-1-2019to 19-7-2028
42,760	1.75	1-1-2020to 19-7-2028
37,405	1.90	18-10-2018to17-10-2028
37,405	1.90	1-1-2019to17-10-2028
2,120	1.90	1-1-2020to17-10-2028
316,130		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$201,500,000 (HK$0.45 to HK$0.59 each), of which the Group recognised a share option expense of HK$160,060,000 during the year.

The fair value of equity-settled share options granted during the year ended 31 December 2018 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

Date of grant	**20 July 2018**	**18 October 2018**
Dividend yield (%)	5.4	5.5
Expected volatility (%)	50	50
Risk-free interest rate (%)	2.155	2.424
Expected life of option (year)	10	10
Weighted average share price (HK$ per share)	1.75	1.90

During the year, a total of 67,300,000 share options lapsed upon resignation of the relevant directors and employees.

1,200,000 share options exercised during the year resulted in the issue of 1,200,000 ordinary shares of the Company and new share capital of HK$120,000 and share premium of HK$2,481,000 (before issue expenses), as further detailed in note 32 to the financial statements. The consideration of HK$2,100,000 received for another 1,200,000 share options exercised during the year was recorded as receipt in advance as corresponding ordinary shares are allotted subsequent to the end of the reporting period.

At the end of the reporting period, the Company had 316,130,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 316,130,000 additional ordinary shares of the Company and additional share capital of HK$31,613,000 and share premium of HK$533,154,000 before issue expenses.

Save as disclosed above, 67,300,000 share options granted under the Share Option Scheme lapsed during the year ended 31 December 2018 and the respective share option reserve of HK$10,284,000 was released.

Subsequent to the end of the reporting period, 1,800,000 share options were cancelled and 4,720,000 share options lapsed under the Share Option Scheme.

At the date of approval of these financial statements, the Company had 309,610,000 share options outstanding under the Share Option Scheme, which represented approximately 9.2% of the Company's shares in issue as at that date.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to statutory reserves which are restricted as to use.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in Liabilities Arising from Financing Activities

2018

	Trade and retention payables and accruals	**Other payables, deposits received and receipt in advance**	**Interest-bearing bank borrowings**	**Interest-bearing other borrowing**	**Guaranteed notes**	**Trade and retention payables and accruals included in disposal groups**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	581,468	34,395	5,880,017	–	295,343	280,400
Changes from financing activities	(196,445)	2,100	(2,651,353)	300,000	–	(17,595)
Interest expenses	45,537	–	–	–	3,514	11,533
Interest capitalised	158,401	–	5,628	–	–	–
Changes classified as operating cash flows	119,216	(26,662)	–	–	–	(159,191)
Changes classified as investing cash flows	(15,106)	(6,078)	–	–	–	3,357
Exchange realignment	–	–	–	–	–	(258)
At 31 December 2018	693,071	3,755	3,234,292	300,000	298,857	118,246

2017

	Trade and retention payables and accruals	Interest-bearing bank borrowings	Guaranteed notes
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	977,666	475,210	–
Changes from financing activities	(106,992)	5,404,130	294,151
Interest expenses	16,621	677	1,192
Interest capitalised	105,030	–	–
Changes classified as operating cash flows	(129,287)	–	–
Changes classified as investing cash flows	(1,248)	–	–
Liabilities directly associated with the disposal groups classified as held for sale	(280,400)	–	–
Foreign exchange movement	78	–	–
At 31 December 2017	581,468	5,880,017	295,343

36. OPERATING LEASE ARRANGEMENTS

(a) As Lessor

The Group leases certain of its machinery (note 14), its investment properties (note 15) and properties held for sale (note 19) under operating lease arrangements, with leases negotiated for terms ranging from one to seventy-five months. The terms of the leases generally also require the tenants and customers to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants and customers falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	8,171	15,389
In the second to fifth years, inclusive	4,878	20,683
	13,049	36,072

(b) As Lessee

The Group leases certain of its office properties, warehouses, staff quarters and certain machinery under operating lease arrangements, with leases negotiated for terms ranging from one to thirty-six months.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	29,874	28,491
In the second to fifth years, inclusive	30,219	14,073
	60,093	42,564

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Property, plant and equipment:		
– contracted, but not provided for	692	23,041
Construction works relating to properties under development		
– contracted, but not provided for	20,916	68,022
Capital contributions to an investment fund		
– contracted, but not provided for	–	633,160

38. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2018	2017
	HK$'000	*HK$'000*
Guarantees in respect of performance bonds in relation to subsidiaries	325,219	255,782

As at 31 December 2017, performance bonds of HK$36,980,000 were also supported by pledged bank balances of HK$41,414,000 (note 25).

(b) As at 31 December 2018, 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 HK$4,645,000 (2017: HK$21,908,000).

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the relevant ownership certificates.

The fair value of the guarantees is not significant and the directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made for these guarantees in the financial statements.

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and performance bonds are included in notes 28 and 38 to the financial statements, respectively.

40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Outstanding balances with related parties

Details of the Group's balances with its associate and related companies as at the end of the reporting period are included in note 16, and notes 11, 21, 22 and 23, respectively, to the financial statements.

Particulars of amounts due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Name	**2018**	**Maximum amount outstanding during the year**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Tysan Building Construction Company Limited	1,460	5,111	3,748
HKICIM Fund III, L.P.	24,462	24,462	–
HKICIM Fund V, L.P. ("**Fund V**")	7,726	19,726	–
Denco Properties Limited ("**Denco**")	–	80,712	49,815
Hongkong Island Construction Properties Co., Limited ("**HKIC**")	–	78,273	57,891
HNA Shou Fu	581,597	632,626	–
Hengqin Zhonghang	367,700	367,700	–
	982,945		111,454

TBC is controlled by Mr. Fung. Fund III and Fund V are non-wholly-owned subsidiaries of HNA Holding Group, which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company. Prior to the disposal of Total Thrive and Sky Hero, holding companies of Denco and HKIC, by Fund II and Fund III respectively on 14 February 2018 as detailed in note 24(a) to the financial statements, Denco and HKIC were both non-wholly-owned subsidiaries of HNA Group.

(b) Compensation of key management personnel of the Group

	2018	**2017**
	HK$'000	*HK$'000*
Short term employee benefits	69,750	72,738
Equity-settled share option expense	133,554	–
Post-employment benefits	159	176
Total compensation paid to key management personnel	203,463	72,914

Further details of directors' remuneration are included in note 8 to the financial statements.

(c) **Other transactions with related companies of the Group:**

(1) Contracted and subcontracted works with related companies

(i) During the year ended 31 December 2018, TBC subcontracted rental and engineering works relating to tower cranes of approximately HK$32,000 (2017: HK$569,000) to the Group.

(ii) During the year ended 31 December 2018, the Group contracted building and construction works of approximately HK$5,915,000 (2017: Nil) to TBC.

(iii) During the year ended 31 December 2017, the Group subcontracted building services coordination works of approximately HK$300,000 to Tysan Project Management Limited ("TPML", a company ultimately controlled by Mr. Fung).

(iv) During the year ended 31 December 2017, TBC subcontracted foundation and site investigation works of approximately HK$1,225,000 to the Group.

(v) During the year ended 31 December 2017, Denco subcontracted foundation works of approximately HK$342,880,000 to the Group.

(vi) During the year ended 31 December 2017, HKIC subcontracted foundation works of approximately HK$443,800,000 to the Group.

(2) During the year ended 31 December 2018, the Group recorded a management fee income of HK$60,300,000 (2017: HK$6,443,000) from Fund II, HK$37,166,000 (2017: Nil) from Fund III and HK$24,740,000 (2017: Nil) from Fund V, respectively.

(3) During the period from 1 January 2018 to 14 February 2018, the Group has a project development income of approximately HK$5,518,000 (2017: HK$2,383,000) and HK$4,910,000 (2017: HK$2,982,000) from Denco and HKIC, respectively.

(4) During the year ended 31 December 2018, the Group was charged HK$58,000 (2017: HK$94,000) and HK$263,000 (2017: HK$512,000) by Hainan Marine Construction Project Management Contracting Co., Limited ("**Hainan Marine Construction**") for provision of BIM modeling services and BIM platform, respectively.

Hainan Marine Construction is a non-wholly-owned subsidiary of HNA Group, which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

(5) During the period from 1 May 2018 to 31 December 2018, interest expenses of HK$5,644,000 and HK$5,889,000 were charged by Tysan Shanghai and Tysan Tianjin, respectively, according to the terms detailed in note 11(b).

Upon completion of Shanghai Disposal and Tianjin Disposal to HNA Shou Fu on 30 April 2018, Tysan Shanghai and Tysan Tianjin became related companies of the Group.

(6) During the year ended 31 December 2018, the Group disposed items of property, plant and equipment of aggregate carrying amount of HK$39,000 at a cash consideration of HK$19,000 to Tremend Yield Limited, a company ultimately controlled by Mr. Fung.

(7) During the year ended 31 December 2017, the Group subcontracted certain renovation works of its office properties of approximately HK$2,529,000 to TPML.

(8) During the year ended 31 December 2017, the Group charged TBC, Tysan Engineering (H.K.) Company Limited ("**TEHK**") and Cando Trading Limited ("**Cando**"), rental charges of HK$416,000, HK$121,000 and HK$101,000, respectively, and management fee of HK$162,000, HK$47,000 and HK$38,000, respectively. TBC, TEHK and Cando are ultimately controlled by Mr. Fung.

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

The related party transactions in respect of items (c)(1), (c)(2), (c)(3) and (c)(4) above, the disposals as detailed in notes 16, 42(a) and 42(d) and the acquisition as detailed in note 41 to the financial statements also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

41. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 19 April 2016, the Company, Fortunate Pool Limited ("**Fortunate Pool**") and Mr. Fung entered into a sale and purchase agreement, pursuant to which the Company agreed to purchase and Fortunate Pool agreed to sell 40% equity interests in TFHKL, a then non-wholly-owned subsidiary of the Company (the "**Foundation Transaction**"). Fortunate Pool, which is wholly-owned by Mr. Fung, is the non-controlling shareholder of the 40% issued shares of TFHKL.

The Foundation Transaction took place in two phases. Phase 1 of the Foundation Transaction was completed on 4 July 2016 when the Company paid cash of HK$732,192,000 to acquire 35% equity interest in TFHKL ("**Phase 1 Transaction**"). Immediately after the completion of Phase 1 Transaction, the Company's equity interest in TFHKL increased from 60% to 95%. Such transaction was accounted for as an equity transaction and the debit difference of HK$694,919,000 between the consideration of HK$732,192,000 and the carrying amount of the non-controlling interest of HK$37,273,000 was recorded in the retained profits in the equity during the period ended 31 December 2016.

As at 31 December 2016, 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 HK$104,598,000 was recognised as other payables and the corresponding debit was made to the forward equity contract in the equity.

Phase 2 of the Foundation Transaction, in which the Company paid cash of HK$104,598,000 to acquire the remaining 5% equity interest in TFHKL ("**Phase 2 Transaction**"), was completed on 27 April 2017. Immediately following the completion of Phase 2 Transaction, TFHKL became a wholly-owned subsidiary of the Company. Such transaction was accounted for as an equity transaction and the difference of HK$97,820,000 between the consideration of HK$104,598,000 and the carrying amount of the non-controlling interest of HK$6,778,000 was debited in the retained profits in the equity during the year.

Further details of the Foundation Transaction are set out in the Company's announcements dated 19 April 2016, 30 June 2016, 4 July 2016 and 27 April 2017, and a circular dated 23 May 2016.

42. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Tysan Shanghai and Tysan Tianjin

On 13 November 2017, Great Regent Investments Limited, Shanghai Changning Duncan Property Consulting Company Limited, Red Shine Investment Limited and Carriway Limited (collectively, the "**Shanghai Sellers**"), each being a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu, a subsidiary of HNA Group which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company, for disposal of the Shanghai Sellers' entire equity interests in Tysan Shanghai at a cash consideration of RMB585.8 million (the "**Shanghai Disposal**"). Tysan Shanghai is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Waterfront, in Shanghai. It primarily derives its revenue from the sales of residential property and to a relatively minor extent, leasing of property. The Shanghai Disposal was completed on 30 April 2018.

On 13 November 2017, Great Prosper Limited (the "**Tianjin Seller**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu for disposal of Tianjin Seller's entire equity interest in Tysan Tianjin at a cash consideration of RMB435.8 million (the "**Tianjin Disposal**"). Tysan Tianjin is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Riverside, in Tianjin. It primarily derives its revenue from the sales of residential property. The Tianjin Disposal was completed on 30 April 2018.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,291
Investment properties	235,810
Available-for-sale investment	1,239
Deferred tax assets	1,035
Loans to the Group	364,119
Properties held for sale	35,462
Properties under development	15,137
Amounts due from the Group	21,777
Trade receivables	421
Prepayments, deposits and other receivables	4,991
Cash and cash equivalents	321,209
Trade payables and accruals	(5,279)
Deposits received and other payables	(3,104)
Tax payable	(5,498)
Deferred tax liabilities	(42,856)
	946,754
Release of exchange fluctuation reserve	(72,962)
Release of statutory reserve	(48,750)
Gains on disposal of subsidiaries credited to profit or loss	440,209
	1,265,251
Satisfied by:	
Cash consideration	632,625
Other receivables	632,626
Total consideration	1,265,251

An analysis of the net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal during the year was as follows:

Cash consideration	632,625
Cash and cash equivalents disposed of	(321,209)
Net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal	311,416

(b) Disposal of Onwards Asia Limited

On 16 May 2018, Omnilink Assets Limited ("**Omnilink**"), a wholly-owned subsidiary of the Company, disposed of its entire equity interest in Onwards Asia Limited and assigned all amounts which Onwards Asia Limited owes to Omnilink as at that date to an independent party, Fabulous New Limited, at cash consideration of HK$6,348,343,000 (the "**Onwards Asia Disposal**"). The principal assets of Onwards Asia Limited comprise all the issued share capital of Top Genius Holdings Limited, which engages in property development project at Kai Tak, Kowloon.

	HK$'000
Net assets disposed of:	
Properties under development	5,772,749
Cash and cash equivalents	4,081
Trade and retention payables and accruals	(14,893)
Loan from the Group	(5,820,366)
	(58,429)
Loan from the Group assigned	5,820,366
Gain on disposal of a subsidiary credited to profit or loss	586,406
	6,348,343
Satisfied by:	
Cash consideration	6,348,343

An analysis of the net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal during the year was as follows:

Cash consideration	6,348,343
Cash and cash equivalents disposed of	(4,081)
Net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal	6,344,262

(c) Disposal of Fund House Limited

On 2 October 2018, Beneficial Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party to dispose of its entire equity interest in Fund House Limited and assigned all amounts which Fund House Limited owes to Beneficial Enterprises Limited, at cash consideration of HK$17,000 (the "**Fund House Disposal**"). The principal assets of Fund House Limited comprise all issued share capital of Duncan Property Management (Shanghai) Co., Limited, which engages in the provision of property management services in the PRC. The Fund House Disposal was completed on 12 October 2018.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	14
Trade receivables	308
Prepayments, deposits and other receivables	52
Cash and cash equivalents	5,976
Trade payables and accruals	(213)
Other payables, deposits received and receipt in advance	(6,078)
Due to a related company	(2,825)
Loan from the Group	(10,939)
	(13,705)
Loan from the Group assigned	10,939
Release of exchange fluctuation reserve	(1,009)
Release of statutory reserve	(364)
Gain on disposal of subsidiaries credited to profit or loss	4,156
	17
Satisfied by:	
Cash consideration	17

An analysis of the net outflow of cash and cash equivalents in respect of the Fund House Disposal during the year was as follows:

Cash consideration	17
Cash and cash equivalents disposed of	(5,976)
Net outflow of cash and cash equivalents in respect of the Fund House Disposal	(5,959)

(d) Disposal of Upwealth International Limited and Fortune Fortress Limited

On 14 December 2018, TIL disposed of its entire equity interests in Upwealth International Limited and Fortune Fortress Limited and assigned all amounts which Upwealth International Limited and Fortune Fortress Limited owing to TIL as at that date to Mr. Fung, at a cash consideration of HK$272,000 (the "**Upwealth Disposal**") and HK$92,000 (the "**Fortune Fortress Disposal**"), respectively. Upwealth International Limited and Fortune Fortress Limited were both an investment holding company which held a golf club membership.

	HK$'000
Net assets disposed of:	
Other assets	1,080
Loan from the Group	(1,281)
	(201)
Loan from the Group assigned	1,281
Loss on disposal of subsidiaries debited to profit or loss	(716)
	364
Satisfied by:	
Cash consideration	364

An analysis of the net inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal during the year was as follows:

Cash consideration and inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal	364

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2018

	Financial assets at amortised costs	Financial assets at fair value through profit or loss – held for trading	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at fair value through profit and loss	–	1,292,262	1,292,262
Trade receivables	167,135	–	167,135
Other receivables	628,341	–	628,341
Structured deposits	–	580,686	580,686
Pledged bank balances	37,469	–	37,469
Restricted cash	1,430,897	–	1,430,897
Cash and cash equivalents	2,854,257	–	2,854,257
	5,118,099	1,872,948	6,991,047

2017

	Loans and receivables	Financial asset at fair value through profit or loss	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial asset at fair value through profit and loss	–	738,865	738,865
Trade and retention receivables	638,810	–	638,810
Other receivables	17,023	–	17,023
Pledged bank balances	41,414	–	41,414
Cash and cash equivalents	2,327,460	–	2,327,460
	3,024,707	738,865	3,763,572

Financial liabilities

	2018 Financial liabilities at amortised cost	2017 Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Trade and retention payables	445,907	319,752
Other payables	918	4,402
Interest-bearing bank borrowings	3,234,292	5,880,017
Interest-bearing other borrowing	300,000	–
Guaranteed notes	298,857	295,343
	4,279,974	6,499,514

44. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 31 December 2018 and 2017:

	2018 Fair value measurement using				2017 Fair value measurement using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	–	458,530	833,732	1,292,262	–	–	738,865	738,865
Structured deposits	–	580,686	–	580,686	–	–	–	–
	–	1,039,216	833,732	1,872,948	–	–	738,865	738,865

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 (2017: Nil).

As at 31 December 2018, financial assets at fair value through profit or loss at Level 2 included unlisted investment funds (i.e. Fund II and Fund III) of HK$96,519,000 (2017: HK$738,865,000) and an unlisted wealth management investment in a fund of HK$362,011,000 (2017: Nil). The fair values of unlisted investment funds were estimated with reference to the fair values of the underlying assets held by Fund II and Fund III (i.e. net asset method). The fair value of the unlisted wealth management investment in a fund was based on the quoted prices from the fund manager.

The fair value of structured deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of structured deposits approximates to their carrying amounts as at the end of the reporting period.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Unlisted convertible bonds	**Unlisted investment funds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 January 2017	–	–	–
Additions	–	1,328,600	1,328,600
Disposal of an investment fund	–	(600,600)	(600,600)
Fair value gain	–	10,865	10,865
Carrying amount at 31 December 2017 and 1 January 2018	–	738,865	738,865
Additions	800,000	633,160	1,433,160
Return of investment	–	(1,361,160)	(1,361,160)
Investment income	–	(17,626)	(17,626)
Fair value gain	33,732	103,280	137,012
Transfer to Level 2	–	(96,519)	(96,519)
Carrying amount at 31 December 2018	833,732	–	833,732

The fair value of unlisted convertible bonds was based on an external valuation report prepared by Vigers by using multiple valuation technique and is basically composed of three parts, namely: (i) the expected present value of the debt component; (ii) the conversion option value derived from the right to convert the convertible bonds into shares of the issuer ("**Conversion Option Value**"); and (iii) the put option value derived from the right to request the issuer for an early redemption ("**Put Option Value**"). The expected present value of the debt component is determined by the present value of the bond's cash flow at the discount of the required yield. The Conversion Option Value is estimated by using a binomial model and the Put Option Value is estimated at the present value of its payoff, i.e. put price less debt component. As at 31 December 2017, the fair value of Fund II was estimated by reference to a valuation performed by Vigers by using the income approach adjusted by net asset method. Unlisted investment funds of HK$96,519,000 (2017: Nil) were transferred upon the Fund II and Fund III disposed of their entire equity interests in Total Thrive and Sky Hero to Shibo Investment Limited and Easco Investment Limited on 14 February 2018 (note 24(i)).

The Company's management decides to appoint which external valuer to be responsible for the external valuations of unlisted convertible bonds. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Below is a summary of the significant unobservable inputs of Level 3 instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 2017.

2018

	Valuation technique	Significant unobservable inputs	Weight average	Sensitivity of fair value to 5% increase in unobservable input
				HK$'000
Unlisted convertible bonds	Discounted cash flow method on debt component and binomial model	Risk-free rate	1.98%	40
		Market multiples	7.752	286
		Marketability discount	13.8%	(65)
		Probability of potential investment	2.5%	200

2017

	Valuation technique	Significant unobservable inputs	Weight average	Sensitivity of fair value to 5% increase in unobservable input
				HK$'000
Unlisted investment	Income approach adjusted by net asset method	Gross development value		
		– Residential	HK$28,500 per square feet	62,038
		– Retail	HK$40,000 per square feet	–
		– Car park	HK$3,300,000 per unit	–
		Marketing costs	3%	(2,607)
		Professional fee	6%	(1,147)
		Financing cost	5%	(1,460)
		Contingency fee	3%	(521)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, restricted cash, pledged bank balances, financial assets included in prepayments, deposits and other receivables, trade receivables, contract assets, trade and retention payables, other payables, interest-bearing bank borrowings, interest-bearing other borrowing and guaranteed notes. Details of these financial instruments are disclosed in the respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are cash and cash equivalents, restricted cash, pledged bank balances, and trade and other receivables.

Maximum exposure as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets*	–	–	–	925,574	925,574
Trade receivables*	–	–	–	167,164	167,164
Financial assets included in prepayments, deposits and other receivables					
– Normal**	628,341	–	–	–	628,341
– Doubtful**	293	–	–	–	293
Pledged bank balances					
– Not yet past due	37,469	–	–	–	37,469
Restricted cash					
– Not yet past due	1,430,897	–	–	–	1,430,897
Cash and cash equivalents					
– Not yet past due	2,854,257	–	–	–	2,854,257
	4,951,257	–	–	1,092,738	6,043,995

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 and 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

Maximum exposure as at 31 December 2017

The credit risk on cash and cash equivalents and pledged bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to its trade and retention and other receivables. The management of the Group monitors each individual trade debt on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has no significant concentration of credit risk, with the exposure spreading over a large number of counterparties and customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and retention and other receivables are disclosed in notes 21 and 23 to the financial statements, respectively.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank and other borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity (before any impact on tax).

	Increase in interest rate	**Decrease in profit before tax** *HK$'000*	**Decrease in equity*** *HK$'000*
2018			
Bank borrowings	100 basis points	(2,997)	–
Other borrowings	100 basis points	(3,000)	–
2017			
Bank borrowings	100 basis points	(746)	–

* Excluding retained profits

Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US$ against HK$. The Group considered the impact on equity from the change in US$ exchange rate was minimal at the end of the reporting period since HK$ is pegged to US$. In the current year, all of the Group's bank and other borrowings are denominated in Hong Kong dollars.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase in exchange rate *%*	**Increase in profit before tax** *HK$'000*
2018		
If Hong Kong dollar weakens against Renminbi	5	25,546
2017		
If Hong Kong dollar weakens against Renminbi	5	10

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

			2018		
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and retention payables	–	445,907	–	–	445,907
Other payables	–	918	–	–	918
Interest-bearing bank borrowings	–	232,952	2,993,883	49,829	3,276,664
Interest-bearing other borrowing	–	–	300,000	–	300,000
Guaranteed notes	–	–	305,000	–	305,000
Guarantees in respect of performance bonds in relation to subsidiaries	325,219	–	–	–	325,219
	325,219	679,777	3,598,883	49,829	4,653,708

			2017		
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and retention payables	–	319,752	–	–	319,752
Other payables	–	4,402	–	–	4,402
Interest-bearing bank borrowings	–	5,809,375	16,779	53,863	5,880,017
Guaranteed notes	–	–	305,000	–	305,000
Guarantees in respect of performance bonds in relation to subsidiaries	255,782	–	–	–	255,782
	255,782	6,133,529	321,779	53,863	6,764,953

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 50%. Net debt includes trade and retention payables, other payables, interest-bearing bank and other borrowings and guaranteed notes less pledged bank balances, restricted cash and cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Trade and retention payables	445,907	319,752
Other payables	918	4,402
Interest-bearing bank borrowings	3,234,292	5,880,017
Interest-bearing other borrowing	300,000	–
Guaranteed notes	298,857	295,343
Less: Pledged bank balances	(37,469)	(41,414)
Restricted cash	(1,430,897)	–
Cash and cash equivalents	(2,854,257)	(2,327,460)
Net debt/(cash)	(42,649)	4,130,640
Total equity	12,162,663	12,218,001
Gearing ratio	N/A	34%

46. EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of subsidiaries

On 1 February 2019, Omnilink and the Company (as Omnilink's guarantor) entered into a sale and purchase agreement with independent third parties, Fabulous New Limited and Wheelock Properties Limited (as Fabulous' guarantor), respectively, pursuant to which, Fabulous New Limited agreed to acquire from Omnilink the entire issue capital of Twinpeak Assets Limited and all amounts which Twinpeak Assets Limited owes to Omnilink as at the date of completion at cash consideration of HK$3,912,225,000. The principal assets of Twinpeak Assets Limited comprise all the issued share capital of Milway Development Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6563 on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong. The disposal was completed on 15 February 2019. Details of the disposal were set out in the Company's announcements dated 1 February 2019 and 15 February 2019 and the circular dated 25 February 2019.

(b) Acquisition of subsidiaries

On 28 February 2019, Fundamental Assets IV Limited, a wholly-owned subsidiary of the Company, and Jinshang International Investment Company Limited ("**Jinshang International**"), an independent party, entered into a sale and purchase agreement, pursuant to which, Fundamental Assets IV Limited agreed to purchase and Jinshang International agreed to sell the entire issue capital of Superior Choice Holdings Limited ("**Superior Choice**") and the loans owed by Superior Choice and its subsidiary to Jinshang International at cash consideration of HK$700,000,000. The principal assets of Superior Choice Holdings Limited comprise all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as "CentreHollywood" located at No. 151 Hollywood Road, Hong Kong. The acquisition was completed on 28 February 2019.

(c) Acquisition of approximately 69.54% of issued shares of the Company by Times Holdings II Limited

Pursuant to the joint announcement dated 8 March 2019 ("**Joint Announcement**"), the Company and Times Holdings II Limited jointly announced that, on 8 March 2019, Times Holdings II Limited and HNA Finance I, the Company's then controlling shareholder, entered into a sale and purchase agreement pursuant to which, Times Holdings II Limited has conditionally agreed to purchase, and HNA Finance I has conditionally agreed to sell, 2,340,904,131 shares, which represent approximately 69.54% of issued shares of the Company as at the date of entering into the sale and purchase agreement, for an aggregate cash consideration of approximately HK$7,022,712,000 (representing HK$3.00 per share) (the "**Times Transaction**").

Upon closing of the Times Transaction on 27 March 2019, Times Holdings II Limited has become the controlling shareholder of the Company.

Further details of Times Transaction were disclosed in the Joint Announcement and the closing announcement dated 27 March 2019.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018	**2017**
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	2,878	5,587
Interests in subsidiaries	8,369,661	9,500,873
Total non-current assets	8,372,539	9,506,460
CURRENT ASSETS		
Amounts due from subsidiaries	2,470,845	106,105
Prepayments, deposits and other receivables	4,224	4,516
Cash and cash equivalents	391,924	2,085,712
Total current assets	2,866,993	2,196,333
CURRENT LIABILITIES		
Amounts due to subsidiaries	297,974	284,493
Trade payables and accruals	10,325	7,412
Other payables, deposits received and receipt in advance	2,513	334
Total current liabilities	310,812	292,239
NET CURRENT ASSETS	2,556,181	1,904,094
Net assets	10,928,720	11,410,554
EQUITY		
Issued capital	336,483	340,249
Reserves *(note)*	10,592,237	11,070,305
Total equity	10,928,720	11,410,554

Note:

A summary of the Company's reserves is as follows:

	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Forward equity contract *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2017	1,032,150	593,811	–	(104,598)	533,565	2,054,928
Profit for the year	–	–	–	–	408	408
Total comprehensive income for the year	–	–	–	–	408	408
Issue of shares *(note 32)*	9,027,961	–	–	–	–	9,027,961
Share issue expenses *(note 32)*	(4,174)	–	–	–	–	(4,174)
Forward acquisition of additional interests in a subsidiary *(note 41)*	–	–	–	104,598	–	104,598
2016 final dividend declared and paid *(note 12)*	–	–	–	–	(113,416)	(113,416)
At 31 December 2017 and 1 January 2018	10,055,937	593,811	–	–	420,557	11,070,305
Loss for the year	–	–	–	–	(245,730)	(245,730)
Total comprehensive expenses for the year	–	–	–	–	(245,730)	(245,730)
Shares repurchased and cancelled *(note 32)*	(54,129)	–	–	–	–	(54,129)
Equity-settled share option arrangements *(note 33)*	–	–	160,060	–	–	160,060
Transfer of share option reserve upon the expiry of share options	–	–	(10,284)	–	10,284	–
Issue of shares *(note 32)*	2,481	–	(501)	–	–	1,980
2017 final dividend declared and paid *(note 12)*	–	–	–	–	(340,249)	(340,249)
At 31 December 2018	10,004,289	593,811	149,275	–	(155,138)	10,592,237

The contributed surplus of the Company included the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor amounting to HK$29,950,000. In addition, pursuant to a special resolution passed at the annual general meeting of the Company held on 7 August 2015, the entire amount of HK$563,861,000 standing to the credit of share premium account of the Company as at 7 August 2015 was cancelled, and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2019.

3. INDEBTEDNESS STATEMENT

As at February 28, 2019, being the latest practicable date for this indebtedness statement, the Group had unaudited bank borrowing and other borrowings amounting to approximately HK$70,342,000 and HK$944,991,000, respectively, details of which are as follows:

	HK$'000
Bank borrowing	
Current	
Instalment loan, secured	4,293
Non-current	
Instalment loan, secured	66,049
Total	70,342
Other borrowings	
Current	
Loan from a related company	169,243
Other loan	100,000
	269,243
Non-current	
Loan from a related company	176,295
Guaranteed notes	299,453
Other loan	200,000
	675,748
Total	944,991

As at February 28, 2019, the Group's secured instalment loan of HK$70,342,000 was secured by the Group's office premises with a gross floor area of 29,526 square feet located at 20th Floor, One Island South, Wong Chuk Hang, Hong Kong with a carrying amount of approximately HK$152,209,000 and was supported by corporate guarantee from the Company.

As at February 28, 2019, the current loan from Tysan Property Development (Tianjin) Co., Ltd.^ (泰昇房地產開發(天津)有限公司) ("Tysan Tianjin"), a related company, was unsecured, bore interest at interest rate published by PBOC and repayable on December 21, 2019, and the non-current loan from Tysan Land (Shanghai) Limited^ (泰昇房地產(上海)有限公司) ("Tysan Shanghai"), a related company, was unsecured, bore interest at interest rate published by PBOC and repayable on September 29, 2020. Both loans from 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 28 February 2019, Tysan Shanghai and Tysan Tianjin were related companies of the Group because they are subsidiaries of HNA Group Co., Ltd., which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company. On 27 March 2019, HNA Finance I transferred all its issued shares of the Company to Times Holdings II Limited. Since then, HNA Finance I is no longer the controlling shareholder of the Company and Tysan Shanghai and Tysan Tianjin are no longer related companies of the Group.

As at February 28, 2019, the Group's guaranteed notes and other loan were supported by corporate guarantees from the Company.

Interest rate of bank borrowing was HIBOR plus 1.3% per annum. Interest rates of guaranteed notes and other loan are 7% per annum and HIBOR plus 4.75% per annum, respectively.

Contingent liabilities

As at February 28, 2019:

(a) the Group provided guarantees to certain banks in respect of performance bonds granted to certain subsidiaries of approximately HK$319,427,000;

(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$4,443,000;

(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$334,715,000.

4. MATERIAL CHANGE

On February 15, 2019, the Company completed a sale of its entire equity interest in Twinpeak Assets Limited which indirectly held the Kai Tak Property (the "**Disposal**"). As disclosed in the announcement of the Company dated February 1, 2019, the financial impact of the Disposal on the Company is expected to be a loss (before tax) of approximately HK$740 million (subject to finalisation and adjustments), which will be recognised in the financial information of the Company for the current financial year.

On February 28, 2019, the Company announced the acquisition of a property in Hong Kong known as "CentreHollywood", by way of acquiring all the issued shares of the property holding company and the related shareholders' loans, for a cash consideration of HK$700 million, subject to adjustments (the "**Property Acquisition**"). The Property Acquisition, completed on February 28, 2019, led to an increase in the Group's investment properties by the amount of consideration, and a corresponding decrease in the Group's cash on hand.

Save as above, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those information relating to the Offeror and its Concert Parties) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and its Concert Parties) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, HNA Finance I or any of their associates or Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, HNA Finance I or any of their associates or Concert Parties) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

(a) Share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised		*HK$*
6,000,000,000	Shares	600,000,000.00
Issued		
3,366,035,709	Shares	336,603,570.90

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, there are also Share Options outstanding which carry rights to subscribe for new Shares at the following exercise prices:

Date of grant	Exercise price (HK$ per Share)	Number of outstanding Share Options	Exercisable period	Number of underlying Shares
July 20, 2018	1.75	232,680,000	July 20, 2018 to July 19, 2028(1)	232,680,000
October 18, 2018	1.90	76,930,000	October 18, 2018 to October 17, 2028(2)	76,930,000

Notes:

(1) For grantees who are Directors, 50% of the Share Options are exercisable on or after the date of grant and the remaining 50% of the share options are exercisable on or after January 1, 2019.

For grantees who are not Directors, 30% of the Share Options are exercisable on or after the date of grant, a further 30% of the Share Options are exercisable on or after January 1, 2019 and the remaining 40% of the Share Options were scheduled to be exercisable on or after January 1, 2020.

Pursuant to the rules of the Share Option Scheme, Share Options that remain unexercised at the earlier to occur of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date (i.e. April 11, 2019) on which the Share Offer is made or becomes or is declared unconditional, shall lapse automatically and shall no longer be exercisable.

(2) For grantees who are Directors, 50% of the Share Options are exercisable on or after the date of grant and the remaining 50% of the Share Options are exercisable on or after January 1, 2019, provided that the grantee remains an employee, officer or director of any member of the Group or any entity in which any member of the Group holds any equity interest, whether full time or part time as at such date.

For grantees who are not Directors, 30% of the Share Options are exercisable on or after the date of grant, a further 30% of the Share Options are exercisable on or after January 1, 2019, provided that the grantee remains an employee, officer or director of any member of the Group or any entity in which any member of the Group holds any equity interest, whether full time or part time, as at such date and the remaining 40% of the Share Options were scheduled to be exercisable on or after January 1, 2020, provided that the grantee remains an employee, officer or director of any member of the Group or any entity in which any member of the Group holds any equity interest, whether full time or part time, as at such date.

Pursuant to the rules of the Share Option Scheme, Share Options that remain unexercised at the earlier to occur of (i) the date of expiry of the exercise period, or (ii) the last day of the three-month period following the date (i.e. April 11, 2019) on which the Share Offer is made or becomes or is declared unconditional, shall lapse automatically and shall no longer be exercisable.

Save for the Share Options mentioned above, the Company had no other outstanding options, warrants, derivatives or convertible rights affecting the Shares.

The Company had issued a total of 1,200,000 Shares from December 31, 2018, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

(b) Listing

The Shares are listed and traded on the main board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

3. MARKET PRICES

(a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date Before Joint Announcement; (iii) the last day on which trading took place in each of the calendar months during the Relevant Period:

Date	**Closing price per Share** *HK$*
September 28, 2018	1.81
October 31, 2018	2.20
November 30, 2018	2.45
December 31, 2018	2.41
January 31, 2019	2.39
February 28, 2019	2.38
March 8, 2019 (being the Last Trading Date Before the Joint Announcement)	2.62
March 29, 2019	3.00
April 8, 2019 (being the Latest Practicable Date)	3.00

(b) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$3.01 on April 2, 2019, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.46 on September 10, 2018.

4. DISCLOSURE OF INTERESTS IN SHARES AND COMMITMENTS WITH RESPECT TO THE OFFERS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its 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 interests and short positions which they had taken or where deemed to have taken 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 Transactions by Directors of Listed Issuers ("**Model Code**") 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**	**Approximate percentage of the Company's issued share capital** *(Note 1)*
Mr. SUN Kin Ho Steven	Beneficial owner	–	33,630,000 (L) *(Note 3)*	1.00
Mr. HE Jiafu	Beneficial owner	–	15,000,000 (L) *(Note 3)*	0.45
Mr. FUNG Chiu Chak, Victor	Beneficial owner	–	20,000,000 (L) *(Note 2)*	0.59
Mr. LIU Junchun	Beneficial owner	–	20,000,000 (L) *(Note 2)*	0.59
Mr. HUANG Qijun	Beneficial owner	–	34,000,000 (L) *(Note 2)*	1.01
Mr. GUO Ke	Beneficial owner	–	15,000,000 (L) *(Note 3)*	0.45
Mr. TANG King Shing	Beneficial owner	–	8,000,000 (L) *(Note 2)*	0.24
Mr. YANG Han Hsiang	Beneficial owner	–	8,000,000 (L) *(Note 3)*	0.24
Mr. FAN Chor Ho	Beneficial owner	–	3,400,000 (L) *(Note 2)*	0.10
Mr. TSE Man Bun	Beneficial owner	–	3,400,000 (L) *(Note 2)*	0.10
Mr. LUNG Chee Ming, George	Beneficial owner	–	3,400,000 (L) *(Note 2)*	0.10
Mr. LI Kit Chee	Beneficial owner	–	3,400,000 (L) *(Note 2)*	0.10

L: Long position

Notes:

1. Based on 3,366,035,709 Shares issued as at the Latest Practicable Date.

2. Such Directors are interested in the underlying Shares by virtue of Share Options granted by the Company on July 20, 2018 under the share option scheme of the Company at the exercise price of HK$1.75 per Share. For further details of the Share Options, please refer to the paragraph headed "2. Share Capital of the Company – (a) Share capital" of this appendix.

3. Such Directors are interested in the underlying Shares by virtue of Share Options granted by the Company on October 18, 2018 under the share option scheme of the Company at the exercise price of HK$1.90 per Share. For further details of the Share Options, please refer to the paragraph headed "2. Share Capital of the Company – (a) Share capital" of this appendix.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) As at the Latest Practicable Date, save as disclosed in the paragraph (a) above, none of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(c) As at the Latest Practicable Date, save as disclosed below, the Offeror and its Concert Parties did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

Name of Shareholder	Capacity	Number of issued Shares held	Total interest in Shares	Percentage of issued share capital (%)
The Offeror	Beneficial owner	2,340,904,131	2,340,904,131	69.54
Tides Holdings II Ltd.	Beneficial owner	64,829,931	64,829,931	1.93

(d) As at the Latest Practicable Date, none of the directors of the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(e) As at the Latest Practicable Date, none of the Offeror and its Concert Parties had received any irrevocable commitment to accept or reject the Offers.

(f) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (5) of "acting in concert" or class (2) of the definition of "associate" in the Takeovers Code but excluding any exempt principal trader or exempt fund manager, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(g) As at the Latest Practicable Date, no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis.

(h) Each of the Directors who held beneficial shareholdings in the Company as at the Latest Practicable Date, namely Mr. Sun Kin Ho Steven, Mr. He Jiafu, Mr. Fung Chiu Chak, Victor, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke, Mr. Tang King Shing, Mr. Yang Han Hsiang, Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee, had indicated that he intended to accept the Option Offers. As at the Latest Practicable Date, save as disclosed in the paragraph (a) above, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers.

(i) As at the Latest Practicable Date, none of the Offeror and its Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company save for any which had been either on-lent or sold.

(j) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.

5. DISCLOSURE OF INTERESTS IN SHARES OF THE OFFEROR

(a) As at the Latest Practicable Date, the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror, and had not dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror during the Relevant Period.

(b) As at the Latest Practicable Date, none of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror.

6. DEALINGS IN SHARES

(a) During the Relevant Period, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares.

(b) During the Offer Period and up to the Latest Practicable Date, none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company or, any adviser to the Company as specified in class (5) of the definition of "acting in concert" or class (2) of the definition of "associate" in the Takeovers Code but excluding exempt principal traders or exempt fund manager (except as otherwise indicated) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(c) During the Relevant Period, save for the acquisition of the Sales Shares pursuant to the SPA and excluding dealings on a non-discretionary basis by the associates of the Offeror, none of the Offeror, its Concert Parties nor the directors of the Offeror had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(d) During the Offer Period and up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within the Relevant Period; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period:

Name of Director	Commencement date of service agreement	Expiry date of service agreement	Remuneration per annum	Notice Period
Mr. CHEN Chao	October 26, 2018	The date of the annual general meeting of the Company to be held in 2019	Nil	No less than three calendar months' prior notice in writing
Mr. SUN Kin Ho Steven	August 3, 2018 (amended on August 24, 2018 and October 26, 2018)	The date of the annual general meeting of the Company to be held in 2019	HK$3,000,000 and a discretionary year-end performance fee of HK$2,000,000 as determined by the Board *(Note)*	No less than three calendar months' prior notice in writing
Mr. ZHANG Peihua	November 9, 2018	The date of the annual general meeting of the Company to be held in 2019	Nil	No less than three calendar months' prior notice in writing
Mr. HE Jiafu	August 3, 2018 (amended on November 9, 2018)	The date of the annual general meeting of the Company to be held in 2019	Nil	No less than three calendar months' prior notice in writing
Mr. FUNG Chiu Chak, Victor	January 4, 2019	January 3, 2020	HK$8,970,000 and a year-end bonus of HK$13,800,000 for the year ending 31 December 2019	No less than three calendar months' prior notice in writing
Mr. CHONG Kin Ho	January 21, 2019	The date of the annual general meeting of the Company to be held in 2019	HK$360,000	N/A

Note: The remuneration was introduced in the supplemental service agreement dated August 24, 2018. The remuneration provided in the service agreement dated August 3, 2018 was nil.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within two years immediately preceding March 8, 2019, being the date of commencement of the Offer Period, and up to the Latest Practicable Date which are or may be material:

(a) the underwriting agreement dated March 28, 2017 (as amended and supplemented by side letters dated April 20, 2017 and April 25, 2017) and entered into between the Company and CCB International Capital Limited and HNA Finance I (as underwriters) in relation to the issue by way of rights on the terms set out in the Company's prospectus dated May 29, 2017 (the "**Rights Issue**");

(b) an irrevocable undertaking dated March 28, 2017 given by HNA Finance I in favour of the Company and CCB International Capital Limited in relation to the Rights Issue;

(c) the shareholder's loan agreement dated April 5, 2017 entered into between the Company (as borrower) and HNA Finance I (as lender) in relation to an interest-free unsecured loan of HK$2,700 million for financing the acquisition of the Kai Tak Property by Milway Development Limited;

(d) the shareholder's loan agreement dated April 7, 2017 entered into between the Company (as borrower) and HNA Finance I (as lender) in relation to an interest-free unsecured loan of HK$3,700 million for financing the acquisition of the Kai Tak Property by Milway Development Limited;

(e) the programme agreement dated April 7, 2017 entered into between Silverbell Asia Limited ("**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 USD1,000,000,000 guaranteed medium term note programme established by Silverbell and unconditionally and irrevocably guaranteed by the Company (the "**MTN Programme**");

(f) the trust deed dated April 7, 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;

(g) the agency agreement dated April 7, 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;

(h) an irrevocable undertaking dated April 10, 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;

(i) an irrevocable undertaking dated April 10, 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;

(j) an irrevocable undertaking dated April 18, 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;

(k) the deed of release dated April 27, 2017 entered into between the Company, Tysan Foundation (Hong Kong) Limited ("**TFHK**") and Fortunate Pool Limited ("**Fortunate Pool**") in relation to the release of each party to the shareholders' agreement of TFHK dated January 17, 2014 of their obligations and/or liabilities thereunder, upon completion of the sale and purchase agreement dated April 19, 2016 entered into among the Company as purchaser, Fortunate Pool as vendor and Mr. Fung Chiu Chak, Victor as a guarantor in relation to the obligations, commitments and undertakings of Fortunate Pool under such agreement for an aggregate consideration of HK$836,790,400;

(l) the master agreement dated July 6, 2017 entered into between the Company and Mr. Fung Chiu Chak, Victor 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;

(m) the pricing supplemental agreement dated July 21, 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;

(n) the confirmation letter dated July 21, 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 (m);

(o) the pricing supplement agreement dated August 10, 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 (m));

(p) the confirmation letter dated August 10, 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 (o);

(q) the subscription agreement dated September 4, 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$77 million;

(r) the master agreement dated September 22, 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;

(s) the master agreement dated September 22, 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 to members of the Group;

(t) the amended and restated exempted limited partnership agreement dated October 13, 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, an indirect wholly-owned subsidiary of the Company), in relation to the transactions contemplated under the subscription agreement referred to in item (u);

(u) the subscription agreement dated October 13, 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**");

(v) 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 October 18, 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;

(w) the conditional sale and purchase agreement (the "**Ou Rui SPA**") entered into among the Company, Forestar Assets and Ou Rui Limited dated October 18, 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;

(x) (i) the termination agreement entered into among the Company, Forestar Assets, Best Feast Limited, Mr. Cheung Wai Suen and Ms. Wang Heng dated January 29, 2018 for the termination of the Best Feast SPA; and (ii) the termination agreement entered into among the Company, Forestar Assets and Ou Rui Limited dated January 29, 2018 for the termination of the Ou Rui SPA;

(y) the equity transfer agreement dated November 13, 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 (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 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;

(z) the equity transfer agreement dated November 13, 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;

(aa) the equity transfer agreement dated November 13, 2017 entered into between Great Prosper Limited ("**Great Prosper**"), HNA Shou Fu Investment and 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;

(bb) the amended and restated exempted limited partnership agreement dated November 30, 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, an indirect 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 November 30, 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**");

(dd) the pricing supplement agreement dated December 1, 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;

(ee) the confirmation letter dated December 1, 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 (dd);

(ff) the term sheet dated January 19, 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);

(gg) the sale and purchase agreements dated February 12, 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 for the total initial consideration of approximately HK$15,959.41 million;

(hh) the amended and restated exempted limited partnership agreement dated March 6, 2018 entered into between HKICIM (GP) V Limited (as general partner, an indirect 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. ("**Fund V**");

(ii) the subscription agreement dated March 6, 2018 entered into by HKIIG pursuant to which HKIIG has agreed, in the capacity as a limited partner of Fund V, to commit a non-cash contribution of HK$1.5 billion to Fund V;

(jj) the binding offer dated March 8, 2018 entered into between, among others, (i) Omnilink Assets Limited, (ii) the Company as guarantor of the Omnilink Assets Limited and (iii) Fabulous New Limited in relation to, among other things, (x) the sale and purchase of the entire issued share capital of Onwards Asia Limited ("**Onwards Asia**"), a company incorporated in the British Virgin Islands and (y) the assignment to Fabulous New Limited of the shareholder loans owing by Onwards Asia to the Omnilink Assets Limited at the time of the closing of the sale and purchase agreement referred to in item (kk) ("**Onwards Asia Shareholder Loan**") for a total consideration of HK$6,359,155,000;

(kk) the sale and purchase agreement dated March 21, 2018 entered into between, among others, the Company, Omnilink Assets Limited and Fabulous New Limited in relation to, among other things, (i) the sale and purchase of the entire issued share capital of Onwards Asia and (ii) the assignment to Fabulous New Limited of the Onwards Asia Shareholder Loan for a total consideration of HK$6,359,155,000;

(ll) the deed of assignment dated May 16, 2018 entered into between Omnilink Assets Limited (as assignor), Fabulous New Limited (as assignee) and Onwards Asia in relation to the assignment of the loan of approximately HK$5,820 million owing by Onwards Asia to Omnilink Assets Limited;

(mm) the deed of tax covenant dated May 16, 2018 entered into between Omnilink Assets Limited, the Company and Fabulous New Limited in relation to certain tax matters relating to Onwards Asia and Top Genius Holdings Limited;

(nn) the partnership agreement dated June 6, 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, an indirect wholly-owned subsidiary of the Company, "**Shanghai Changning Duncan**") in relation to the formation of Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership)^ (橫琴衆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;

(oo) the subscription agreement dated June 13, 2018 and entered into between Holistic Capital Investment Limited and HKICIM Fund VI, L.P. (an indirect wholly-owned subsidiary) in relation to the subscription and issue of the eight percent (8%) convertible bonds in the aggregate principal amount of HK$800,000,000, due 2021;

(pp) the agreement to terminate the term sheet referred to in item (ff) dated June 29, 2018 entered into between the Company and Shinhan Creative Finance 3rd Co.;

(qq) the agreement dated February 1, 2019 entered into between Omnilink Assets Limited, Fabulous New Limited, the Company and Wheelock Properties Limited for the sale and purchase of the entire issued share capital of Twinpeak and any loan (whether principal, interest or otherwise) owing by Twinpeak to Omnilink Assets Limited on February 15, 2019 (the "**Shareholder Loans**") for the aggregate consideration of HK$3,912,225,000;

(rr) the deed of assignment dated February 15, 2019 entered into between Omnilink Assets Limited (as assignor), Fabulous New Limited (as assignee) and Twinpeak in relation to the Shareholder Loans;

(ss) the deed of tax covenant dated February 15, 2019 entered into between Omnilink Assets Limited, the Company and Fabulous New Limited in relation to certain tax matters relating to the Twinpeak and Milway Development Limited; and

(tt) the sale and purchase agreement dated February 28, 2019 entered into between Fundamental Assets IV Limited (a wholly-owned subsidiary of the Company) as purchaser and Jinshang International Investment Company Limited as seller, pursuant to which Fundamental Assets IV Limited agreed to purchase and Jinshang International Investment Company Limited agreed to sell the property "CentreHollywood" for a total consideration of HK$700,000,000 by way of sale and purchase of all the issued shares of the Superior Choice Holdings Limited and the loans owed by Superior Choice Holdings Limited and its subsidiary to Jinshang International Investment Company Limited.

10. EXPERTS

The following are the qualifications of the experts who have been named in this Composite Document and/or given an opinion or advice which is contained in this Composite Document:

Name	Qualifications
HSBC	a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Somerley Capital Limited	corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

11. CONSENTS

(a) HSBC has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which they are included.

(b) Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, recommendations, opinions and/or references to its name in the form and context in which they are included.

12. MISCELLANEOUS

(a) As at the Latest Practicable Date, no arrangement was in place for any benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

(b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or is otherwise connected with the Offers.

(c) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

(d) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, or its Concert Parties, and any other person.

(e) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert", or of the Company's associates by virtue of classes (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person.

(f) As at the Latest Practicable Date, save for the SPA, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of its Concert Parties, on the one hand, and any Director, recent director of the Company, Shareholder or recent shareholder of the Company, on the other hand, having any connection with or dependence upon or is otherwise connected with the Offers.

(g) The securities to be acquired under the Offers will not be transferred, charged or pledged to any other persons.

(h) The Offeror is ultimately controlled by The Blackstone Group L.P.. The Blackstone Group L.P. is managed and operated by its general partner, Blackstone Group Management LLC.. The Blackstone Group L.P. is listed on the New York Stock Exchange. The directors of The Blackstone Group L.P. are Mr. Stephen A. Schwarzman, Mr. Hamilton E. James, Mr. Jonathan D. Gray, Mr. Bennett J. Goodman, Mr. James W. Breyer, Sir John Hood, Ms. Rochelle B. Lazarus, Mr. Jay Light, The Right Honorable Brian Mulroney and Mr. William G. Parrett.

(i) The principal member of the Concert Parties with the Offeror is The Blackstone Group L.P..

(j) The directors of the Offeror are Anthony Beovich and Pinda Eng.

(k) The registered address of the Offeror is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The correspondence address of the Offeror is Suite 901, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(l) The address of The Blackstone Group L.P. is situated at 345 Park Avenue, New York, United States of America.

(m) The registered office of HSBC is 1 Queen's Road Central, Hong Kong.

(n) The principal business address of the Independent Financial Adviser is 20/F, China Building, 29 Queen's Road Central, Hong Kong.

(o) The Offers are unconditional in all respects and as such, is no agreement or arrangement to which the Offeror and/or its Concert Parties is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at http://www.sfc.hk; (ii) on the website of the Company at www.hkicimgroup.com; and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at the principal place of business of the Company in Hong Kong at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, from the date of this Composite Document up to the Offers Closing Date:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum of association and articles of association of the Offeror;

(c) the annual reports of the Company for the year ended March 31, 2016, the nine months ended December 31, 2016 and the years ended December 31, 2017 and 2018;

(d) the letter from HSBC dated April 11, 2019, the text of which is set out on pages 7 to 17 of this Composite Document;

(e) the letter from the Board dated April 11, 2019, the text of which is set out on pages 18 to 22 of this Composite Document;

(f) the letter from the Independent Board Committee dated April 11, 2019, the text of which is set out on pages 23 to 24 of this Composite Document;

(g) the letter from the Independent Financial Adviser dated April 11, 2019 to the Independent Board Committee, the text of which is set out on pages 25 to 54 of this Composite Document;

(h) the service contracts referred to in paragraph 7 of this Appendix;

(i) the material contracts referred to in paragraph 9 of this Appendix;

(j) the written consents referred to in paragraph 11 of this Appendix;

(k) the announcement of the Company dated February 1, 2019 referred to in the section titled "The Offeror's Intentions in relation to the Company" of the letter from HSBC and the section titled "4. Material Change" in Appendix II to this Composite Document;

(l) the announcement of the Company dated February 15, 2019 referred to in the section titled "The Offeror's Intentions in relation to the Company" of the letter from HSBC and the section titled "4. Material Change" in Appendix II to this Composite Document; and

(m) the announcement of the Company dated March 27, 2019 referred to in the section titled "Proposed Change to Board Composition of the Company" of the letter from HSBC.