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If you have sold or transferred all your shares in HNA International Investment Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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海航國際投資集團有限公司
HNA INTERNATIONAL INVESTMENT HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

**(1) PROPOSED ISSUANCE OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE
AND
(2) NOTICE OF GENERAL MEETING**

A notice convening the GM (as defined herein) of HNA International Investment Holdings Limited to be held at Bowen Room, 7/F., Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Tuesday, 12 July 2016 at 11:30 a.m. is set out on pages 37 to 38 of this Circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrars of HNA International Investment Holdings Limited, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

24 June 2016

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DEFINITIONS

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

“Board”	means the board of Directors
“Bonds”	means the 24 months unlisted Bonds in principal amount of US\$52,000,000 (equivalent to HK\$404,560,000 according to the Fixed Exchange Rate) to be issued by the Company in accordance with the terms of the Subscription Agreement
“Bondholder”	means person who is for the time being the registered holder of a Bond
“Bondholders 75% Majority”	means any Bondholder(s) of, in aggregate, not less than 75% in principal amount of the Bonds outstanding for the time being
“Bondholders Majority”	has the meaning ascribed to it in the section headed “PRINCIPAL TERMS OF THE BONDS”
“Business Day”	means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong
“Capital Distribution”	means: (i) any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (ii) any cash dividend or distribution of any kind by the Company for any financial period (whenever paid and however described) which is an Extraordinary Dividend, provided that, for the avoidance of doubt, it does not include a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a subsidiary of the Company) in compliance with the Listing Rules
“China Everbright Securities”	means China Everbright Securities International Structured Finance Company Limited, a company incorporated in Hong Kong with limited liability

DEFINITIONS

“Closing”	means closing of the Subscription in accordance with the Subscription Agreement
“Closing Date”	means a date which is no later than the 5th Business Day upon which the GM is held for approving the grant of Specific Mandate, provided that in any event such date shall be no later than 26 July 2016 or such other date as the Company and the Subscribers may mutually agree upon in writing
“Company”	means HNA International Investment Holdings Limited (海航國際投資集團有限公司) whose name will be changed to HNA Holding Group Co. Limited (海航實業集團股份有限公司), a limited liability company incorporated in Hong Kong, the Shares of which are listed on the Stock Exchange
“Consolidated Total Borrowings”	means, in respect of the Group, the aggregate of any moneys borrowed and drawn-down by them (for the avoidance of doubt, except and exclude (i) any intercompany loans among the Company and its subsidiaries, (ii) any trade and bills payables, (iii) other payables, deposits received, receipt in advance and accruals, (iv) financial guarantee liabilities, (v) tax liabilities, whether deferred or otherwise, (vi) deferred revenue, (vii) promissory note and (viii) provisions)
“Conversion Price”	means the conversion price per Conversion Share and initially at HK\$0.4 per Conversion Share (subject to adjustments)
“Conversion Share(s)”	means the Share(s) to be allotted and issued upon conversion of the Bonds
“Current Market Price”	means, in respect of a Share at a particular time on a particular date, the average of the closing prices quoted by the Stock Exchange (or as the case may be, by an alternative stock exchange) for one Share (being a Share carrying full entitlement to dividend) for the fifteen (15) consecutive trading days ending on the trading day immediately preceding such date subject to the terms of the Bonds
“Directors”	means the directors of the Company

DEFINITIONS

“DTV Business”	has the meaning ascribed to it in the section headed “INFORMATION OF THE GROUP”
“Environmental Matters”	means all and any laws, rules, regulations, directives, notices, decisions, recommendations, codes of practice, guidance notes, judgments, orders, licences, consents, permits, registrations, filings, exemptions, approvals, authorisations, leases agreements or otherwise relating to pollution, contamination or protection of the environment or to the storage, labelling, handling, release, treatment, processing, deposit, transportation or disposal of hazardous substances
“Expansion Purpose”	has the meaning ascribed to it in the section headed “USE OF PROCEEDS”
“Expert”	means an independent bank of international repute (acting as expert) selected by the Company and approved in writing by the Bondholders 75% Majority
“Extraordinary Dividend”	occurs if, at the relevant date of determination, the total aggregate amount of: <ul style="list-style-type: none">(i) any cash dividend paid or declared by the Company on the Shares in respect of a fiscal year; and(ii) any other cash dividend previously paid or declared on the Shares in respect of the same fiscal year (to the extent no adjustment has been made previously in respect of such dividend) exceeds on a per Share basis 3% of the Current Market Price of the Shares on the date on which the Board approves the first-mentioned cash dividend in which case only the excess portion shall be regarded as the Extraordinary Dividend.
“Extraordinary Resolution”	means a resolution passed at a meeting of Bondholders by not less than 75% of the votes cast
“Financial Covenants”	has the meaning ascribed to it in the section headed “PRINCIPAL TERMS OF THE BONDS”

DEFINITIONS

“Fixed Exchange Rate”	means the fixed exchange rate of US\$1.00 to HK\$7.78 or another exchange rate as agreed by the Company and the Bondholders 75% Majority
“GM”	means the general meeting of the Company to be held for considering, and if thought fit, approving the Specific Mandate
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“HTI Fund”	means Haitong International Investment Fund SPC, an open-ended exempted segregated portfolio company incorporated with limited liability under the laws of the Cayman Islands, acting on behalf of and for the account of Haitong International Investment Fund SPC – Fund I SP
“Independent Third Party(ies)”	means a person independent of the Company and its connected person (as defined in the Listing Rules)
“Intelligent Information Business”	has the meaning ascribed to it in the section headed “INFORMATION OF THE GROUP”
“Interest Rate”	has the meaning ascribed to it in the section headed “PRINCIPAL TERMS OF THE BONDS”
“Issue Date”	means the issue date of the Bonds
“Last Trading Day”	means 27 May 2016, being the last trading day preceding the date of signing of the Subscription Agreement
“Latest Practicable Date”	22 June 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“LOI”	has the meaning ascribed to it in the section headed “ USE OF PROCEEDS ”
“LOI Parties”	has the meaning ascribed to it in the section headed “ USE OF PROCEEDS ”
“Mandatory Redemption Amount”	<p>means such amount as determined in accordance with the following formula:</p> <p>Mandatory Redemption Amount = outstanding principal amount of such Bond being redeemed $\times (1.15)^N$ – all interests accrued (whether paid or payable) by the Company at the Interest Rate plus, if applicable in accordance with the terms of the Bonds, at the default rate of 12% per annum, in respect of the said outstanding principal amount of such Bond being redeemed from and including the Issue Date up to and excluding the date of payment of the Mandatory Redemption Amount,</p> <p>where:</p> <p>“N” = a fraction of which is the number of calendar days between the Issue Date and the applicable date of redemption and the denominator of which is 365</p>
“Maturity Date”	two (2) years from the date of the Issue Date
“Potential Acquisition”	has the meaning ascribed to it in the section headed “ USE OF PROCEEDS ”
“Principal Subsidiaries”	<p>means any subsidiary of the Company as to which one or more of the following conditions is satisfied:</p> <ul style="list-style-type: none">(i) its revenue or consolidated revenue attributable to the Company is at least 5% of the consolidated revenue of the Company; or(ii) its gross assets or consolidated gross assets attributable to the Company are at least 5% of the consolidated gross assets of the Company; or(iii) its profit after tax or consolidated profit after tax attributable to the Company, is at least 5% of the consolidated profit after tax of the Company.

DEFINITIONS

“Property Investment Business”	has the meaning ascribed to it in the section headed “INFORMATION OF THE GROUP”
“Relaxation Notice”	has the meaning ascribed to it in the section headed “PRINCIPAL TERMS OF THE BONDS”
“Relevant Indebtedness”	means any present or future indebtedness in the form of, or represented by debentures, loan stock, bonds, notes, bear participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which, in each case, are quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not initially distributed by way of private placement)
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means ordinary share(s) in the share capital of the Company
“Shareholder(s)”	means the holder(s) of the Shares
“Specific Mandate”	means the specific mandate to be sought from the Shareholders at the GM for the allotment and issue of the Conversion Shares upon full conversion of the Bonds at the Conversion Price (subject to adjustments)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscriber Person”	has the meaning ascribed to it in the section headed “PRINCIPAL TERMS OF THE BONDS”
“Subscribers”	collectively, HTI Fund and China Everbright Securities
“Subscription”	means the issue of the Bonds by the Company to each of the Subscribers in the aggregate principal amount of US\$52,000,000 (equivalent to HK\$404,560,000 according to the Fixed Exchange Rate) pursuant to the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	means the subscription agreement dated 30 May 2016 entered into between the Company and each of the Subscribers in relation to the Subscription as supplemented by way of written confirmation by the same parties dated 22 June 2016
“Tourism/Recreational Business”	has the meaning ascribed to it in the section headed “INFORMATION OF THE GROUP”
“Transaction Documents”	means collectively, the Subscription Agreement, the bond instrument and the bond certificate relating to the Bonds
“US\$”	means the lawful currency of the United States of America
“%”	means per cent.

LETTER FROM THE BOARD



海航國際投資集團有限公司
HNA INTERNATIONAL INVESTMENT HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

Executive Directors:

Zhao Quan (*Chairman*)
Li Tongshuang (*Vice-chairman*)
Xu Haohao (*Executive President*)
Zhang Ke

Registered office:

Suites 5811-5814, 58/F.
Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

Non-executive Directors:

Leung Shun Sang, Tony
Wang Hao

Independent non-executive Directors:

Leung Kai Cheung
Liem Chi Kit, Kevin
Lam Kin Fung, Jeffrey

24 June 2016

To the Shareholders

Dear Sir/Madam,

**PROPOSED ISSUANCE OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE
AND
NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 30 May 2016. As disclosed in the said announcement, the Company has entered into the Subscription Agreement with each of the Subscribers, pursuant to which, among other things, the Subscribers have severally agreed to subscribe and pay for the Bonds in an aggregate principal amount of US\$52,000,000 (equivalent to HK\$404,560,000 according to the Fixed Exchange Rate), on the terms and subject to the conditions set out therein.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the proposed Subscription, the Specific Mandate, the notice convening the GM, and other information as required under the Listing Rules.

THE SUBSCRIPTION AGREEMENT

Date

30 May 2016 (after trading hours)

Parties

- (1) The Company (as the issuer);
- (2) (i) Haitong International Investment Fund SPC, an open-ended exempted segregated portfolio company incorporated with limited liability under the laws of the Cayman Islands, acting on behalf of and for the account of Haitong International Investment Fund SPC – Fund I SP; and

(ii) China Everbright Securities International Structured Finance Company Limited.

(each a “**Subscriber**” and collectively “**Subscribers**”)

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, each of the Subscribers and its ultimate beneficial owners is an Independent Third Party. Please refer to the section headed “**INFORMATION OF THE SUBSCRIBERS**” for more information on the Subscribers.

The Subscription

Subject to the fulfilment of the conditions set out below in the sub-section headed “**Conditions Precedent to the Subscription**”, each of the Subscribers has agreed severally to subscribe and pay for the Bonds to be issued by the Company on the Closing Date in the amount set out opposite each Subscriber’s name as follows:

Name of each Subscriber	Amount of subscription
HTI Fund	US\$26,400,000 (equivalent to approximately HK\$205,392,000 according to the Fixed Exchange Rate)
China Everbright Securities	US\$25,600,000 (equivalent to approximately HK\$199,168,000 according to the Fixed Exchange Rate)

LETTER FROM THE BOARD

Conditions Precedent to the Subscription

Completion of the Subscription pursuant to the Subscription Agreement is conditional upon the following conditions:

- (i) the warranties of the Company in the Subscription Agreement being true and correct in all material respect as at the date of the Subscription Agreement and on the Closing Date;
- (ii) the Company having performed all of its obligations under the relevant Transaction Documents required to be performed on or before the Closing Date;
- (iii) the execution and delivery of the relevant Transaction Documents by the respective parties;
- (iv) the Company having obtained all consents and approvals necessary to complete the Subscription at Closing including but not limited to (a) the passing of a resolution by the Shareholders in the GM approving the grant of the Specific Mandate, and (b) the grant of approval by the Stock Exchange for the issue of the Bonds and (subject to conditions as set out in the listing approval) the listing of and permission to deal in all the Conversion Shares to be issued upon exercise of the conversion rights which has not been withdrawn or revoked;
- (v) after the date of the Subscription Agreement up to and at the Closing Date, there not having occurred any change (nor any development or event involving a prospective change), in the financial or business condition, prospects, results of operations or general affairs of the Company and the Group taken as a whole, which, in the reasonable opinion of the Subscribers, is material and adverse in the context of the issue of the Bonds, provided that any change that have resulted from any of the following shall not constitute a material adverse change: (i) any change that generally affects the industry(ies) or market(s) in which the Group operates; (ii) any change in the financial markets or general economic or political conditions; (iii) any change in law or any accounting principle applicable to the Group; and (iv) any change in the price or trading volume of the Shares; and
- (vi) the warranties of each of the Subscribers in the Subscription Agreement being true and correct in all material respect as at the date of the Subscription Agreement and on the Closing Date.

Conditions precedent in respect of the Company's obligations under paragraphs (i) to (v) above may be waived by the Subscribers in writing (except in relation to the grant of the Specific Mandate and the grant of approval for the issue of the Bonds and the listing of and permission to deal in all the Conversion Shares to be issued), while conditions precedent in respect of the Subscribers' obligations under paragraphs (iii) and (vi) may be waived by the Company in writing.

LETTER FROM THE BOARD

As at the Latest Practicable Date, all the conditions precedent to the Closing have not been satisfied and/or (as the case may be) waived.

Closing

Subject to the fulfilment of the conditions precedent as set out in the sub-section headed “**Conditions Precedent to the Subscription**”, Closing shall take place on the Closing Date.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are set out as below:

Issuer:	The Company
Principal amount:	US\$52,000,000 in aggregate (equivalent to HK\$404,560,000 according to the Fixed Exchange Rate)
Interest:	The Bonds shall bear interest from and including the Issue Date to and excluding the Maturity Date on the outstanding amount of the Bonds at the interest rate of 8% per annum (“ Interest Rate ”).

Each Bond will cease to bear interest (a) where the conversion right attached to it shall have been exercised by a Bondholder, from and including the relevant date of registration of the Conversion Shares in the Company’s share register in Hong Kong; and (b) where such Bond is redeemed, from the due date for redemption or repayment thereof unless, upon due presentation, payment of the full amount due is improperly withheld.

If the Company fails to pay any sum when due and payable under the terms of the Bonds, interest shall accrue on the overdue sum at the default rate of 12% per annum in addition to the Interest Rate on a daily simple basis from and including the due date and ending on and excluding the date on which full payment on such sum is made to the relevant Bondholder in accordance with the terms of the Bonds.

Maturity Date:	Two (2) years from the date of the Issue Date
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Issue Price:	100% of the principal amount
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LETTER FROM THE BOARD

Conversion Period:

Subject to certain conditions, the Bondholders have the right to convert their Bonds into Conversion Shares at the Conversion Price at any time on and after a date which is 6 months after the Issue Date up to the close of business on the 7th Business Day prior to the Maturity Date or if such Bond shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date prior to the date of giving the notice of redemption, provided that such conversion rights can only be exercised in respect of the Bonds in the aggregate principal amount of not less than US\$600,000 and in the integral multiples of US\$100,000.

The Bondholder shall not exercise any conversion rights to issue Conversion Shares to a person who is a connected person or who will, as a result of such issue, become a connected person of the Company unless with the prior consent of the Company.

Conversion Shares:

Based on the initial Conversion Price of HK\$0.40 per Conversion Share, a maximum number of 1,011,400,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Bonds in the aggregate principal amount of US\$52,000,000 (equivalent to HK\$404,560,000 according to the Fixed Exchange Rate) in full, which represent: (i) approximately 8.87% of the number of issued Shares of the Company as at the Latest Practicable Date; and (ii) approximately 8.15% of the number of issued Shares of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attached to the Bonds in full.

LETTER FROM THE BOARD

Conversion Price:

The price at which Conversion Shares will be issued upon conversion will initially be HK\$0.4 per Conversion Share. The initial Conversion Price of HK\$0.4 represents: (i) a discount of approximately 13.98% to the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 12.28% to the average closing price of HK\$0.456 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day; (iii) a discount of approximately 10.71% to the average closing price of HK\$0.448 per Share as quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Day; (iv) a discount of approximately 12.09% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (v) a premium of approximately 15.27% over the audited net asset value of approximately 0.347 per Share as at 31 December 2015 (based on the audited consolidated net assets of the Group of approximately HK\$3,956,313,000 as at 31 December 2015 and 11,399,996,101 Shares in issue at 31 December 2015).

The initial Conversion Price is determined by the parties after arms' length negotiations with reference to the recent share price and future prospects of the Group.

Adjustment events:

The Conversion Price will be subject to adjustments upon the occurrence of the following events:

- (i) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD

- (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves and which would not have constituted a Capital Distribution, the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (iii) In the case of an issue of Shares by way of a scrip dividend where the Current Market Price of such Shares on the date of announcement of the terms of such issue of Shares exceeds 105% of the amount of the relevant cash dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

LETTER FROM THE BOARD

B = the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the relevant cash dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of scrip dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the relevant cash dividend; and

C = the aggregate nominal amount of Shares issued by way of such scrip dividend;

OR by making such other adjustment as an Expert shall certify to the Bondholders is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (iv) If and whenever the Company shall pay or make any Capital Distribution (including, for the avoidance of doubt, an Extraordinary Dividend) to the Shareholders (except where the Conversion Price falls to be adjusted under paragraphs (ii) and/or (iii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Current Market Price of one Share on the last trading day preceding the date on which the Capital Distribution is publicly announced; and

B = the fair market value on the date of such announcement, as determined in good faith by an Expert, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made or if a record date is fixed therefor, immediately after such record date.

LETTER FROM THE BOARD

- (v) If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the trading day last preceding the date of the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = the number of Shares in issue immediately before such announcement;

B = the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C = the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

LETTER FROM THE BOARD

- (vi) If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Current Market Price of one Share on the last trading day preceding the date on which such issue or grant is publicly announced; and

B = the fair market value on the date of such announcement, as determined in good faith by an Expert, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

LETTER FROM THE BOARD

- (vii) If and whenever the Company shall issue (otherwise than as mentioned in paragraph (v) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other existing rights of conversion into, or exchange or subscription for, Shares) or if and whenever the Company shall issue or grant (otherwise as mentioned in paragraph (v) above) options, warrants or other rights to subscribe or purchase Shares, in each case at a price per Share which is less than 95% of the Current Market Price on the last trading day preceding the date of announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

A = the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B = the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C = the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

LETTER FROM THE BOARD

- (viii) Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this provision, in the event of the issue wholly for cash by the Company or its subsidiary (otherwise than as mentioned in paragraphs (v), (vi) and (vii) above) or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) by any other company, person or entity of any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the last trading day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = the number of Shares in issue immediately before such issue;

B = the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C = the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

LETTER FROM THE BOARD

- (ix) If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in the paragraph (viii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last trading day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = the number of Shares in issue immediately before such modification;

B = the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C = the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Expert considers appropriate (if at all) for any previous adjustment under this paragraph (ix) or paragraph (viii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

LETTER FROM THE BOARD

- (x) If and whenever the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary or such other company, person or entity pursuant to an offer in which the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (v), (vi), (vii) and (viii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Current Market Price of one Share on the last trading day preceding the date on which such issue is publicly announced; and

B = the fair market value on the date of such announcement, as determined in good faith by an Expert, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

LETTER FROM THE BOARD

If the Company determines that a downward adjustment should not be made to the Conversion Price, or that an adjustment should be made in a manner other than as provided in the preceding paragraphs, or that the effective date for the relevant adjustment should be a date other than mentioned in the preceding paragraphs, the Company shall, at its own cost and expense, consult an Expert to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and is appropriate to give the result which the Expert considers in good faith to reflect the intentions of the above paragraphs; and (ii) the date on which such adjustment should take effect; and upon such determination by the Expert such adjustment (if any) shall be made and shall take effect in accordance with such determination.

**Ranking of the
Conversion Shares:**

The Conversion Shares to be issued upon the exercise of the conversion rights shall rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue on the registration date of the Conversion Shares.

Financial Covenants:

Subject to the terms as described in the sub-section headed “**Redemption upon relaxation of Financial Covenants**”, the Company shall for so long as any Bonds are outstanding maintain, as of 30 June and 31 December in each year only, (x) the ratio of the Consolidated Total Borrowings to “net assets” (as defined in the latest audited or interim unaudited, whichever is later, consolidated financial statements of the Company) at less than 4 and (y) the aggregate of “bank balances and cash” (as defined in the latest audited or interim unaudited, whichever is later, consolidated financial statements of the Company) at not less than HK\$60,000,000, provided that this covenant (the “**Financial Covenants**”) shall be tested by reference to the latest audited or interim unaudited, whichever is later, consolidated financial statements of the Company only.

Redemption at Maturity:

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at the outstanding principal amount on the Maturity Date.

LETTER FROM THE BOARD

**Redemption at the option
of the Company:**

The Company may, having given not less than 7 days' notice to the Bondholders, redeem the Bonds in whole but not in part at any time if, immediately prior to the date of the relevant notice is given, conversion rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued.

**Redemption for the
Company falling
below the public
float requirement,
suspension of trading
or change in control:**

Each Bondholder shall have the right to require the Company to redeem all (but not some) of such Bondholder's Bonds at the principal amount together with interest accrued to such date (if any) when the following occurs: (i) when the Company becomes aware of that the public float of the Shares on the Stock Exchange has fallen below the requirements under the Listing Rules (other than as a result of any of the Subscribers and their respective associates (as defined in the Listing Rules) (each a "**Subscriber Person**") (or if any Bonds are or were held by a person other than a Subscriber Person at any time, any such person or any of their respective associates (as defined in the Listing Rules)) by its or their own action(s) becoming a core connected person (as defined in the Listing Rules) and the Company continues to fail to meet such requirement for a period equal to or exceeding twenty (20) consecutive trading days commencing from the first day on which the Company becomes aware of such failure; (ii) when the Shares cease to be listed or admitted to trading or are suspended for trading for a period equal to or exceeding 60 consecutive trading days (if such suspension for trading is made in relation to any transaction (as defined in Chapter 14 of the Listing Rules) entered into or proposed to be entered into by the Company or any of its subsidiaries) or 20 consecutive trading days (in any other case) on a relevant stock exchange; or (iii) when HNA Group Co. Ltd. cease to be the single largest direct or indirect holder of the total number of issued Shares of the Company.

**Redemption on an event
of default:**

Upon the occurrence of an event of default and a notice is served by the Bondholder(s) of more than 50% in the principal amount of the Bonds for the time being outstanding to the Company, the Company shall redeem all or such part of the Bonds at the Mandatory Redemption Amount together with accrued and unpaid interest at the Interest Rate plus, if applicable in accordance with the terms of the Bond, at the default rate of 12% per annum.

LETTER FROM THE BOARD

**Redemption upon
relaxation of Financial
Covenants:**

If and when the Company or its subsidiaries enters into or proposes to enter into a definitive agreement to conduct any transaction (as defined in Chapter 14 of the Listing Rules), the Company shall have the right to terminate and remove the Financial Covenants, in whole or in part, at any time and from time to time by giving a notice specifying the Financial Covenants (or the relevant part thereof) which shall be terminated and removed (“**Relaxation Notice**”) to all the Bondholders. The Financial Covenants shall be deemed terminated, in whole or in part, according to the Relaxation Notice with effect from the date of the Relaxation Notice.

Following the giving of a Relaxation Notice by the Company, each Bondholder will have the right at such Bondholder’s option, to require the Company to redeem all, but not some only, of such Bondholder’s Bonds at a price equal to 102% of the principal amount of such Bonds.

Events of default:

If any of the following events occur, the Bondholders of more than 50% of the principal amount of the Bonds for the time being outstanding (the “**Bondholders Majority**”) may give notice to the Company that the Bond are and shall on the giving of such notice immediately become due and payable at its Mandatory Redemption Amount together with any accrued and unpaid interest at the Interest Rate plus, if applicable in accordance with the terms of the Bonds, at the default rate of 12% per annum:

- (i) there is a default to pay the principal or interest or premium when due and such failure continues for a period of 7 Business Days;
- (ii) the Company fails to perform or observe any obligations under the Bonds, which failure is incapable of remedy, or if capable of remedy, is not remedied within 30 days after written notice of such failure shall have been given to the Company by the Bondholders Majority;

LETTER FROM THE BOARD

- (iii) the Company fails to perform or comply with one or more of its other representations, warranties or covenants (including Financial Covenants) in the Bonds, which failure is incapable of remedy, or if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Company by the Bondholders Majority;
- (iv) the Company fails to deliver any Shares required to be delivered following conversion of a Bond and failure continues over period of 7 Business Days;
- (v) the Company is insolvent, bankrupt or unable to pay its debts as they fall due or proposes or makes a general assignment for the benefit of its creditors in respect of such debts;
- (vi) any other present or future indebtedness of the Company becomes due and payable prior to its stated maturity by reason of default or such indebtedness is not paid when due or within any applicable grace period provided that the aggregate amount of the relevant indebtedness exceeds HK\$50,000,000 or its equivalent in any other currency or currencies;
- (vii) a distress, execution or seizure order before judgment (except in relation to any Environmental Matter of Dongguan Hillview Golf Company Limited) is levied or enforced upon against any material part of the property, assets or revenues of the Company and is not discharged or stayed within 30 Business Days;
- (viii) an order of a court of competent jurisdiction is made or an effective resolution is passed for the liquidation, winding-up or dissolution of the Company, or the Company ceases or threatens to cease to carry on all or substantially all of its business or operations (other than in relation to the disposal or proposed disposal of the Intelligent Information Business and the DTV Business), except for the purpose of and followed by reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by Bondholders Majority;

LETTER FROM THE BOARD

- (ix) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the property, assets or turnover of the Company or its Principal Subsidiaries, provided that the aggregate amount of the relevant indebtedness exceeds HK\$50,000,000 or its equivalent in any other currency or currencies and is not discharged within 30 days;
- (x) any steps is taken by any government authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation (other than in relation to any Environmental Matter of Dongguan Hillview Golf Company Limited) of all or substantially all of the assets of the Company or any of its Principal Subsidiaries and is not discharged within 30 days;
- (xi) any action or condition at any time required to be taken or fulfilled in order to (i) enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, (ii) ensure those obligations are legally binding and enforceable and (iii) make the Bonds admissible in evidence in the courts of Hong Kong is not taken or fulfilled and such failure continued for 30 days after receiving notice from the Bondholders Majority;
- (xii) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Bonds;
- (xiii) there has occurred any material adverse change in the financial or business condition of the Group, provided that any change in the financial or business condition of the Group following or resulting from a transaction (as defined in Chapter 14 of the Listing Rules) or a series of transactions (as defined in Chapter 14 of the Listing Rules) entered into or proposed to be entered into by the Company or any of its subsidiaries shall be deemed not to be a material adverse change for this purpose; or
- (xiv) any events occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the above mentioned events.

LETTER FROM THE BOARD

- Transferability:** The Bonds are freely transferable subject to certain restricted transfer periods, provided that:
- (i) no transfer shall be made to a connected person of the Company without prior consent of the Company; and
 - (ii) a Bond may not be transferred unless the principal amount of the Bond transferred is in the denomination of US\$100,000.
- Status:** The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future unsecured and unsubordinated obligations.
- Negative Pledge:** So long as any Bond remains outstanding, the Company will not, and will procure that none of its Principal Subsidiaries will, create, or permit to subsist any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless, at the same time or prior thereto, the Company's obligations under the Bonds (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Bondholder in its absolute discretion shall deem to be not materially less beneficial to the Bondholder or as shall be approved by an Extraordinary Resolution of the Bondholder or by Bondholders 75% Majority.
- Listing:** No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange.
- Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon the exercise of the conversion rights attached to the Bonds.

LETTER FROM THE BOARD

TERMINATION OF THE SUBSCRIPTION AGREEMENT

The Subscribers may, by notice to the Company given at any time prior to payment of the net subscription monies for the Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- (a) if there shall have come to the notice of the Subscribers any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties of the Company in the Subscription Agreement and the Company's representations contained in the Subscription Agreement or any failure to perform any of the Company's undertakings or agreements in the Subscription Agreement;
- (b) if any of the Company's obligations under the conditions (i) to (v) specified in the sub-section headed "**Conditions Precedent to the Subscription**" of this circular has not been satisfied or waived by the Subscribers on or prior to the Closing Date, as the case may be; or
- (c) if, in the opinion of the Subscribers (after consultation with the Company to the extent reasonably practicable), there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension for a period of five consecutive trading days (in Hong Kong) in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded, save for any suspension thereof required under the Listing Rules or any other listing rules of the foregoing other stock exchange or laws and regulations, as applicable, for clearance of announcement or circular to be made by the Company; or (iii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong.

Upon such notice being given, the Subscription Agreement shall terminate and be of no further effect and no party to the Subscription Agreement shall be under any liability to any other in respect of the Subscription Agreement, except for certain costs and expenses.

SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares to be issued upon exercise of the conversion rights attached to the Bond at the Conversion Price (subject to adjustments) will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the GM.

LETTER FROM THE BOARD

USE OF PROCEEDS

As disclosed in the announcement of the Company dated 18 April 2016, and as discussed in the section headed “**INFORMATION OF THE GROUP**” of this circular, it is expected that, subject to the completion of the transactions as mentioned in such section, the Group will be principally engaged in the Tourism/Recreational Business and the Property Investment Business. It is the disclosed intention of the Company to continue to strengthen and expand such principal businesses (the “**Expansion Purpose**”), and at the same time explore opportunities to further diversify the Group’s businesses with a view to further enhancing the growth of the Group and creating value for Shareholders. As also disclosed in the announcement of the Company dated 22 June 2016, for the Expansion Purpose, the Company has, as the intended purchaser, entered into a letter of intent (the “**LOI**”) with certain independent third parties (together with the Company, being the “**LOI Parties**”) in relation to the potential acquisition (the “**Potential Acquisition**”) of certain golf properties together with all appurtenant land, facilities, amenities and improvements located in the western part of the United States of America. The consideration for the Potential Acquisition, as provided under the LOI, is expected to be in an amount equivalent to approximately HK\$1 billion to HK\$1.1 billion. The Company is working on the preliminary due diligence and, where appropriate, the signing of a definitive agreement for the Potential Acquisition by 30 August 2016. Save for an exclusivity provision agreed by the Parties that will last till about 30 August 2016 (or if earlier, the date of signing of any definitive agreement for the Potential Acquisition), and save for the provisions relating to confidentiality and the provision of due diligence information, the LOI is non-legally binding. Since the discussion in relation to such Potential Acquisition is still preliminary in nature as of the Latest Practicable Date, the Potential Acquisition may or may not materialise. It is expected that should the Potential Acquisition materialize, it will constitute a notifiable transaction of the Company that requires shareholders’ approval under Chapter 14 of the Listing Rules. Should the Potential Acquisition fail to materialize, it is the intention of the Company to continue to explore other opportunities for the Expansion Purpose. The Company considers that it would be in the interest of the Company to raise further funding for the Expansion Purpose as soon as the capital market fund-raising opportunity arises, so that the Company would be better positioned in making the Potential Acquisition (or if such Potential Acquisition fails to materialize, other acquisition(s) as the opportunity arises) for the Expansion Purpose.

The Company’s cash and bank balance amounted to approximately HK\$2,854 million as at 31 December 2015. Amongst such cash and bank balance, approximately HK\$2,475 million (representing about 90% of the net proceeds received by the Company from the rights issue completed by the Company on or about 17 November 2015) was intended to be applied for the specific purpose as disclosed in the prospectus dated 27 October 2015 of the Company in relation to the said rights issue. While the Company has replenished some of its general working capital since 31 December 2015, as at the Latest Practicable Date, the remaining cash and bank balance for general working capital of Company (excluding the amount held by the subsidiaries of the Company in the PRC) has dropped to approximately HK\$6.6 million because approximately HK\$206 million had been utilized by the Company to redeem the convertible bonds, previously issued to Templeton Strategic Emerging Markets Fund III, LDC, upon their maturity on 6 June 2016 and other amounts have been utilised by the Company on its daily operation. The Company considers that it would be prudent for the Company to replenish its working capital as soon as practicable.

LETTER FROM THE BOARD

Having considered the funding needs of the Company as discussed above, and given any capital market fund-raising effort of the Company would be subject to changes in market circumstances from time to time, the Company considers that it would be in the interest of the Company to capture the current market window and issue the Bonds to the Subscribers, being two reputable institutional investors, pursuant to the terms of the Subscription Agreement which the Company considers fair and reasonable.

The estimated net proceeds of the Subscription after deduction of expenses, will amount to approximately HK\$402,860,000. The proceeds are intended to be applied (i) as to approximately 55%, for the Expansion Purpose, including, where applicable, the Potential Acquisition as discussed above, (ii) as to approximately 33% for the repayment of the outstanding principal and accrued interests of existing bank facilities of the Group totalling HK\$135 million that are due from July 2016 to June 2017 and (iii) as to approximately 12% towards the general working capital of the Group.

The net price for each Conversion Share based on the initial Conversion Price is estimated to be approximately HK\$0.398.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Bonds (if issued) at the initial Conversion Price (assuming there is no other change to the total number of issued Shares):

Shareholders	(i) At the Latest Practicable Date		(ii) Upon full conversion of the Bonds at the initial Conversion Price (assuming there is no other change in the number of issued Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
HNA Group Co., Ltd.* (海航集團有限公司)	7,619,374,189	66.84%	7,619,374,189	61.39%
HTI Fund (Note 1)	0	0.00%	513,480,000	4.14%
China Everbright Securities (Note 1)	0	0.00%	497,920,000	4.01%
Other public Shareholders	3,780,621,912	33.16%	3,780,621,912	30.46%
Total	11,399,996,101	100.00%	12,411,396,101	100.00%

LETTER FROM THE BOARD

Note:

1. This scenario is shown for illustrative purposes only. The Subscribers will be interested in a total of 1,011,400,000 Shares (representing approximately 8.15% of the total number of issued Shares as enlarged by the issue of the Conversion Shares and upon the full conversion of the Bonds at the initial Conversion Price (assuming there is no other change in the total number of issued Shares), subject to adjustments. Details of the adjustments (if any) will be set out in further announcement as and when appropriate.

* for identification purpose only

INFORMATION OF THE GROUP

As at the Latest Practicable Date, the Group is principally engaged in (1) the core business involved in the provision of tourism and recreational services (including the operation of golf club and provision of hotel and leisure services) (the “**Tourism/Recreational Business**”); and (2) the affiliated business involved in the development and provision of system integration solutions, system design and sale of system hardware (the “**Intelligent Information Business**”). As disclosed in annual report of the Group for the year ended 31 December 2015, the Group’s digital television technical solution and related business (the “**DTV Business**”) had been discontinued.

As disclosed in the announcement of the Company dated 13 January 2016 and the circular of the Company dated 17 March 2016, the Company entered into a sale and purchase agreement with Viva Success Investments Limited (as buyer) and Zhongcheng Zhihuiyun (Hangzhou) Information Technology Company Limited* (中程智慧雲(杭州)信息科技有限公司) (as buyer’s guarantor) in relation to a proposed disposal of 100% of the issued share capital of a wholly-owned subsidiary of the Company which is principally engaged in the Intelligent Information Business. It is expected that the Company will cease to carry on the Intelligent Information Business subject to completion of such disposal transaction. On the other hand, as disclosed in the annual report of the Group for the year ended 31 December 2014, the Group’s DTV Business had been discontinued, and it had been the intention of the Company to dispose of such discontinued operation as and when the opportunity materialises. As disclosed in the announcement of the Company dated 7 March 2016, the Company entered into a non-legally binding memorandum of understanding with China TriComm Ltd. as the intended purchaser in relation to the disposal of the Group’s DTV Business. Such disposal transaction may or may not materialise, and if it does, further announcement will be made by the Company as and when appropriate.

As disclosed in the announcement of the Company dated 18 April 2016, the Company entered into a sale and purchase agreement with Fourteen Ninety Two Limited in relation to a proposed acquisition of a real property known as Building B-4, 17 Columbus Courtyard, Canary Wharf, London E14 4DA and Building B-4A, an extension to 17 Columbus Courtyard, Canary Wharf, London E14 4DA (as registered at the land registry in the United Kingdom under title number EGL 382798) which, subject to completion, will enable the Company to expand into the business of property investment (the “**Property Investment Business**”).

LETTER FROM THE BOARD

It is expected that, subject to the completion of each of the above mentioned transactions, the Group will be principally engaged in the Tourism/Recreational Business and the Property Investment Business. It is the intention of the Company to continue to strengthen and expand such principal businesses, and at the same time explore opportunities to further diversify the Group's businesses with a view to further enhancing the growth of the Group and creating value for Shareholders.

INFORMATION OF THE SUBSCRIBERS

China Everbright Securities

China Everbright Securities is a company incorporated in Hong Kong with limited liability, which provides financial services.

HTI Fund

HTI Fund is an open-ended exempted segregated portfolio company incorporated with limited liability under the laws of the Cayman Islands. The principal activity of HTI Fund is to invest in diversified portfolios. HTI Fund is managed by Harveston Asset Management Pte. Ltd., a company incorporated with limited liability in Singapore. Harveston Asset Management Pte. Ltd. carries on business in fund management and is a holder of a capital markets service licence for fund management under the Securities and Futures Act of Singapore. It has investment experience and is well versed in many kinds of investment products and services.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS

The Directors are of the view that the issue of the Bonds can (i) further strengthen the financial position of the Group, and (ii) strengthen its capital base without having an immediate dilution effect on the shareholding of the existing Shareholders.

The Directors consider that the Subscription Agreement (together with the terms of the Bonds) is entered into following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreement and the terms of the Bonds are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Date of announcement(s)	Event	Net proceeds and intended use	Actual use of proceeds
4 June 2015	Placing of existing shares and subscription of new shares under generate mandate (granted to the Directors by the Shareholders at the annual general meeting held on 28 May 2015, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting)	HK\$68.85 million The net proceeds is intended to be used for general working capital.	The proceeds were mainly used for repayment of loans that were obtained for general working capital purposes.

LETTER FROM THE BOARD

Date of announcement(s)	Event	Net proceeds and intended use	Actual use of proceeds
30 August 2015 and 17 November 2015	Rights issue of 7,328,568,922 rights shares at the subscription price of HK\$0.376 per rights share on the basis of 9 rights shares for every 5 existing shares.	<p>HK\$2,751.08 million</p> <p>About 90% of the net proceeds is intended to be used for acquisition and expanding the Group's business into one of the following: (i) property investments in Hong Kong or overseas (including countries in Northern America and Europe); or (ii) property development projects in Hong Kong, Southeast Asia, Northern America and Europe which have attracted a large number of Chinese migrants; or (iii) infrastructure investments such as airport, toll road and ports in Northern America or Europe.</p> <p>About 10% of the net proceeds (approximately HK\$275.11 million) are intended to be used for general working capital including but not limited to the possible repayment of borrowings and the possible redemption of convertible securities.</p>	<p>Approximately HK\$275.11 million (about 10% of the net proceeds) was used as general working capital of the Group (including the redemption of convertible securities).</p> <p>Approximately HK\$144.1 million was used to pay the deposit for the acquisition of the property in London as disclosed in the announcement dated 18 April 2016.</p> <p>Approximately HK\$2,331.87 million is unutilized and is deposited with a bank as at the Latest Practicable Date. It is the current intention of the Company that (i) approximately HK\$1,441.0 million will be used for paying the consideration for the acquisition of the property in London as disclosed in the announcement dated 18 April 2016, and (ii) the remaining unutilized portion will be used for acquisition and expanding the Group's business.</p>

LETTER FROM THE BOARD

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of the Company's announcement dated 30 May 2016.

LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the issue of securities convertible into shares is subject to approval by the Shareholders. The GM will be held for the purpose of, among other matters, considering, and if thought fit, approving the Specific Mandate. The notice of the GM of the Company is set out on pages 37 to 38 of this circular. If you do not intend to attend and vote at the GM in person, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, on Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the GM or any adjournment thereof should you so wish.

The voting in respect of the resolution (as set out in the notice of the GM) at the GM will be conducted by way of a poll. To the best knowledge of the Company having made all reasonable enquiries, save for the issue of the Bonds, HNA Group Co., Ltd. has not entered, or contemplated to enter into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Subscribers and their associates which will confer HNA Group Co., Ltd. a benefit (whether economic or otherwise) not available to the other Shareholders of the Company. As at the Latest Practicable Date, to the extent that the Company was aware having made all reasonable enquiries, no Shareholders (including HNA Group Co., Ltd.) have material interest in the Bonds or the Specific Mandate, and therefore no Shareholders (including HNA Group Co., Ltd.) are required to abstain from voting on the resolution as set out in the notice of the GM.

VOTING BY POLL

The resolution set out in the notice of the GM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way.

After the conclusion of the GM, the poll results will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.hnainterinvest.com.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Subscription Agreement, the terms of the Bonds and the transactions contemplated thereunder are fair and reasonable, and that the issue of the Bonds, the grant of the Specific Mandate and the entering into of the Subscription Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolution proposed at the GM.

By order of the Board
HNA International Investment Holdings Limited
Xu Haohao
Executive Director

NOTICE OF GENERAL MEETING



海航國際投資集團有限公司
HNA INTERNATIONAL INVESTMENT HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

NOTICE IS HEREBY GIVEN that a general meeting (the “**Meeting**”) of HNA International Investment Holdings Limited (the “**Company**”) will be held at Bowen Room, 7/F., Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Tuesday, 12 July 2016 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

“1. **THAT:**–

- (a) the subscription agreement dated 30 May 2016 entered into between the Company, Haitong International Investment Fund SPC (acting on behalf of and for the account of Haitong International Investment Fund SPC) (“**HTI Fund**”) and China Everbright Securities International Structured Finance Company Limited (“**China Everbright Securities**”) (each of HTI Fund and China Everbright Securities is a “**Subscriber**” and are collectively “**Subscribers**”) in relation to the issue of the 24 months unlisted bonds in the aggregate principal amount of US\$52,000,000 (the “**Bond**”) by the Company to the Subscribers and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company be and are hereby granted a specific mandate to exercise powers of the Company to allot and issue such number of shares of the Company as may be required to be allotted and issued upon exercise of the conversion rights attached to the Bonds at the conversion price of the Bonds (subject to adjustments in accordance with the terms of the Bonds) (including, for the avoidance of doubt, such additional number of shares of the Company that may be required to be allotted and issued upon the exercise of the conversion rights attached to the Bonds following adjustments to the conversion price of the Bonds); and

NOTICE OF GENERAL MEETING

- (c) any one or more directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient in connection with (1) the performance of the rights and/or obligations under the Subscription Agreement and in accordance with the terms of the Bonds and (2) the issue and allotment of the shares of the Company upon exercise of the conversion rights attached to the Bonds at the conversion price of the Bonds (subject to adjustments in accordance with the terms of the Bonds).”

By order of the Board
HNA International Investment Holdings Limited
Xu Haohao
Executive Director

Hong Kong, 24 June 2016

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrars of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
- (4) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoke.
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the Board comprises Mr. Zhao Quan (Executive Director and Chairman), Mr. Li Tongshuang (Executive Director and Vice-chairman), Mr. Xu Haohao (Executive Director and Executive President), Mr. Zhang Ke (Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Wang Hao (Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director) and Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director).