THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hong Kong Shanghai Alliance Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF A SUBSIDIARY AND NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

A letter from the Board is set out on pages 7 to 24 of this circular.

A notice convening the SGM of Hong Kong Shanghai Alliance Holdings Limited to be held at 1st Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong on Wednesday, 15 March 2017 at 2:00 p.m. is set out on pages 102 to 103 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

28 February 2017

CONTENTS

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

"2013 Facility"	a HK$580,000,000 term credit facility made available by IBT and three other financial institutions as original lenders to the Target Company pursuant to a facility agreement dated 1 November 2013 (as supplemented by a supplemental agreement dated 6 November 2015) between, amongst others, the Target Company as borrower, the Company and the Vendor as guarantors
"2015 Facility"	a US$38,700,000 term credit facility made available by IBT as original lender to the Target Company pursuant to a facility agreement dated 6 November 2015 between, amongst others, the Target Company as borrower, the Company and the Vendor as guarantors
"Adjustment"	the adjustment to the Consideration as set out in the sub-section headed "The S&P Agreement — Adjustment to the Consideration" in the "Letter from the Board" to this circular
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday or a public holiday) when commercial banks are open for ordinary banking business in the BVI, Hong Kong, Luxemburg and the PRC
"BVI"	the British Virgin Islands
"Car Parks"	the car parks located at Nos. 828, 846, 868 and No. 9 of Lane 822 Changshou Road, Putuo District, Shanghai, PRC (中國上海市普陀區長壽路828, 846, 868號及822弄9號) of which the Target Company has exclusive right to use pursuant to three exclusive use right agreements entered into between the Target Company and an independent third party in 2005, 2013 and 2013, respectively
"Company"	Hong Kong Shanghai Alliance Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange

"Completion"	completion of the Disposal in accordance with the terms and conditions of the S&P Agreement
"Completion Amount"	the US$ equivalent of RMB1,371,951,924 (i.e. the Consideration) less the US$ equivalent of RMB136,000,000 (i.e. the Deposit) deposited in the Vendor's Bank Account
"Completion Date"	the date of which the Completion is to take place in accordance with the terms and conditions of the S&P Agreement
"Completion NAV"	the amount of net assets of the Target Group on the Completion Date as set out in the Net Asset Value Statement
"Conditions"	the conditions precedent to the Completion as set out in the sub-section headed "The S&P Agreement — Conditions precedent" in the "Letter from the Board" to this circular and each a "Condition"
"Consideration"	has the meaning ascribed to it under the sub-section headed "The S&P Agreement — Consideration" in the "Letter from the Board" to this circular
"Deposit"	has the meaning ascribed to it under the sub-section headed "The S&P Agreement — Consideration" in the "Letter from the Board" to this circular
"Directors"	the directors of the Company
"Disposal"	the proposed disposal of the Sale Share by the Vendor to the Purchaser pursuant to the terms and conditions of the S&P Agreement
"Estimated NAV"	RMB630,864,180, being the amount of net asset value of the Target Group as at 30 November 2016, among others, adjusted with the fair value adjustment of the PRC Property
"Facilities Payment Amount"	has the meaning ascribed to it under the sub-section headed "The S&P Agreement — Consideration" in the "Letter from the Board" to this circular

"Group"	the Company and its subsidiaries
"HK$" or "HK dollar"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"IBT"	O-Bank Co., Ltd.(王道商業銀行股份有限公司), formerly known as The Industrial Bank of Taiwan Co., Limited(台灣工業銀行股份有限公司)
"Latest Practicable Date"	23 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	31 March 2017, which shall be automatically extended for one month if either (i) the Condition 1 as set out in the sub-section headed "The S&P Agreement — Conditions precedent" in the "Letter from the Board" to this circular is not satisfied on or by 31 March 2017 due to any delay in the review process by the Stock Exchange; or (ii) the Condition 11 as set out in the sub-section headed "The S&P Agreement — Conditions precedent" in the "Letter from the Board" to this circular is not satisfied on or by 31 March 2017
"Material Property Damage"	means any (a) damage to or destruction of such part of the PRC Property which accounts for 8% or more of the total gross floor area of the PRC Property; (b) damage to or destruction of any part of the PRC Property that will result in the whole of the PRC Property becoming a dangerous building according to the assessment of the relevant governmental authorities in the PRC; or (c) damage or destruction that could reasonably be expected to result in a loss or diminution in revenues or repair cost or other works in excess of RMB5,500,000; and such damage or destruction is not restored or made good to such condition substantially similar to the condition thereof before such event of damage or destruction on or before the Completion Date

"Net Asset Value Statement"	the statement to be prepared to set out the assets and the liabilities of the Target Group on a consolidated basis on the Completion Date
"Outstanding Banking Facilities"	the 2013 Facility and the 2015 Facility
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Property"	the office tower known as "Central Park"(中港匯大廈) (save for the Property Management Units), which is located at Nos. 828, 846 and 868 Changshou Road, Putuo District, Shanghai, PRC（中國上海市普陀區長壽路828, 846及868號）and is legally and beneficially owned by the Target Company as at the Latest Practicable Date
"Property Management Units"	units 401 (for usage of property management) and 403 (for usage of owner's committee) located at No. 868 Changshou Road, Putuo District, Shanghai, PRC（中國上海市普陀區長壽路868號）
"Purchaser"	Lumion (B.V.I.) Limited, a company incorporated in the BVI with limited liability, being the purchaser under the Disposal
"Remaining Group"	the Group excluding the Target Group
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Sale Share"	one issued share in the share capital of the Target Company, being the entire issued share capital of the Target Company, which is legally and beneficially held by the Vendor as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong

"SGM"	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve, among other matters, the S&P Agreement, the Disposal and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholders"	holders of the Shares
"S&P Agreement"	the share sale and purchase agreement dated 26 January 2017 entered into amongst the Vendor, the Purchaser and the Company in relation to the Disposal
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	EASTLINK INTERNATIONAL INVESTMENT INC. (東聯國際投資有限公司), a company incorporated in the BVI with limited liability and is wholly-owned by the Vendor
"Target Group"	the Target Company and Zuying Investment
"US$" or "US dollar"	United States dollars, the lawful currency of the United States of America
"Vendor"	VSC China Property Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company, being the vendor under the Disposal
"Vendor's Bank Account"	has the meaning ascribed to it under the sub-section headed "The S&P Agreement — Consideration" in the "Letter from the Board" to this circular
"VSC (Shanghai)"	has the meaning ascribed to it under the sub-section headed "The S&P Agreement — Conditions precedent" in the "Letter from the Board" to this circular

"Zuying Investment"	祖盈投資諮詢(上海)有限公司 (Zuying Investment Consultancy (Shanghai) Co. Ltd.*), a limited liability company established in the PRC and is wholly-owned by the Target Company as at the Latest Practicable Date
"sq. m."	square metre
"%"	per cent.

For the purpose of this circular, unless specified otherwise, the translation of RMB into HK$ is based on the approximate exchange rate of RMB1.00 equal to HK$1.124. Such translation should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.

* *For identification purpose only*

沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED
滬港聯合控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1001)

Executive Directors:
Mr. Yao Cho Fai Andrew
(Chairman and Chief Executive Officer)
Ms. Luk Pui Yin Grace
Mr. Lau Chi Chiu

Non-executive Director:
Mr. Dong Sai Ming Fernando

Independent Non-executive Directors:
Mr. Tam King Ching Kenny
Mr. Xu Lin Bao
Mr. Tse Lung Wa Teddy
Mr. Yeung Wing Sun Mike

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

Principal place of business in Hong Kong:
Rooms 1103-05, 11th Floor
East Town Building
41 Lockhart Road
Wanchai, Hong Kong

28 February 2017

To the Shareholders (and, for information only, to holders of outstanding options of the Company)

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

INTRODUCTION

Reference is made to the announcement of the Company dated 26 January 2017 in relation to the Disposal, whereby on 26 January 2017 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Company (as guarantor of the Vendor) entered into the S&P Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Share, representing the entire issued share capital of the Target Company at the consideration of RMB1,371,951,924 (equivalent to approximately HK$1,542,073,963), subject to the Adjustment. The Consideration will be satisfied by cash.

The purpose of this circular is to provide you, among other things, (i) further details about the Disposal and the transactions contemplated thereunder; (ii) a notice of the SGM; and (iii) other information as required under the Listing Rules.

THE S&P AGREEMENT

Set out below are the principal terms of the S&P Agreement:

Date : 26 January 2017

Parties :

(1) VSC China Property Limited (as Vendor), an indirect wholly-owned subsidiary of the Company;

(2) Lumion (B.V.I.) Limited (as Purchaser); and

(3) the Company (as guarantor of the Vendor).

The Purchaser is a company incorporated in the BVI and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter of the Disposal

Pursuant to the S&P Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share, being the entire issued share capital of the Target Company, which is legally and beneficially owned by the Vendor, free from all encumbrances and together with all rights and advantages attaching to it as at Completion.

The Company joined as a party to the S&P Agreement to guarantee the performance of the Vendor's obligations under the S&P Agreement and other relevant transaction documents.

Consideration

The consideration (the "**Consideration**") for the Disposal shall be a US$ equivalent of an amount equal to RMB1,371,951,924 (equivalent to approximately HK$1,542,073,963), being the sum of:

(1) a deposit (the "**Deposit**") of RMB136,000,000 (equivalent to approximately HK$152,864,000) to be deposited by the Purchaser into a specified Vendor's bank account opened at IBT (the "**Vendor's Bank Account**") within 10 Business Days after the date of the S&P Agreement in accordance with the S&P Agreement; and

(2) the remaining balance of the Consideration in the sum of RMB1,235,951,924 (equivalent to approximately HK$1,389,209,963).

The Consideration is fixed in RMB and will be paid in US$, where the exchange rate between the US$ and RMB will be made reference to the median rate published by the People's Bank of China on the Business Day 5 Business Days (as for the Deposit) and 10 Business Days (as for the remaining balance of the Consideration) prior to the relevant payment date in accordance with the S&P Agreement.

The Consideration is subject to the Adjustment, which is detailed in the sub-section headed "Adjustment to the Consideration" below.

Unless the S&P Agreement is terminated subject to, and on the basis set out in the S&P Agreement as detailed in the sub-section headed "Termination" below, the Deposit shall remain in the Vendor's Bank Account until Completion and upon Completion, the Deposit shall comprise part of the Consideration paid by the Purchaser and the Vendor shall be fully entitled to the Deposit (together with all accrued interest in the Vendor's Bank Account).

At Completion, the Purchaser shall pay or procure the payment of the Completion Amount of RMB1,235,951,924 (equivalent to approximately HK$1,389,209,963) to the relevant bank accounts as set out in the Vendor's payment notice to be delivered to the Purchaser not less than 12 Business Days before the Completion pursuant to the S&P Agreement. Such Vendor's payment notice shall confirm, among others, (i) such amount, estimated to be approximately RMB742 million (equivalent to approximately HK$834 million), to be remitted by the Purchaser on the Completion Date to IBT as facility agent under each of the Outstanding Banking Facilities pursuant to the pay-off letters to be delivered pursuant to the Condition 3 as set out in the sub-section headed "Conditions precedent" below (the "**Facilities Payment Amount**"); and (ii) such amount, estimated to be approximately RMB494 million (equivalent to approximately HK$555 million), to be paid to the Vendor on the Completion Date and the bank account details of the Vendor to which such amount shall be deposited.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the valuation of the PRC Property in the amount of RMB1,360,000,000 as at 31 December 2016 prepared by Knight Frank Petty Limited, a registered and qualified independent valuer in Hong Kong. Please refer to Appendix V of this circular for the valuation of the PRC Property.

As at the Latest Practicable Date, the Deposit has been received.

Adjustment to the Consideration

Reduction of the Consideration

If any payment is made by the Vendor to the Purchaser in respect of any claim and other proceedings in relation to the breaches of the warranties, or any covenant, undertaking and other obligations of the Vendor and the Company as stipulated under the S&P Agreement ("**Claim(s)**") prior to the full payment of the Consideration, such payment shall be treated as an adjustment of the Consideration paid by the Purchaser for the Disposal under the S&P Agreement and the Consideration shall be deemed to have been reduced by the amount of such payment.

The maximum total liability of all Claims of the Vendor under the S&P Agreement shall not exceed the Consideration.

Net asset value adjustment

If the Completion NAV is less than the Estimated NAV, the Vendor shall repay to the Purchaser an amount equal to the difference between the Completion NAV and the Estimated NAV as a reduction in the Consideration.

If the Completion NAV exceeds the Estimated NAV, the Purchaser shall pay to the Vendor an additional amount equal to the difference between the Completion NAV and the Estimated NAV as an increase in the Consideration.

No payment shall be made if the Completion NAV is the same amount as the Estimated NAV.

Any payments pursuant to the adjustment to the Consideration as a result of the difference of the Completion NAV and the Estimated NAV shall be made on or before 10 Business Days after the date on which the process for the preparation of the Net Asset Value Statement is completed in accordance with the S&P Agreement.

The Completion NAV will be calculated on the same basis as the Estimated NAV, where among others, fair value adjustment of the PRC Property has already been considered in calculating the Estimated NAV. Please refer to the sub-section headed "Information of the Target Company, the PRC Property and Zuying Investment – Selected financial information of the Target Group" below for the adjustments made when calculating the Estimated NAV.

After commercial negotiation between the Purchaser and the Vendor, (i) the amount of cash and cash equivalents of the Target Company (not including Zuying Investment) will be retained by the Remaining Group; and (ii) some of the amount of rental receivables of the Target Company (not including Zuying Investment) will not be taken up by the Purchaser, both of which have been reflected in the calculation of the Estimated NAV pursuant to the S&P Agreement. Upon Completion, the amount of cash and cash equivalents and the rental receivables of the Target Company as at Completion Date will be applied to calculate the Completion NAV. For both of the (i) and (ii) above, please refer to page 18 under the sub-section headed "Information of the Target Company, the PRC Property and Zuying Investment — Selected financial information of the Target Group" below.

Pre-Completion Obligations

Between the date of the S&P Agreement and the earlier of the Completion or the termination of the S&P Agreement, the Target Group undertakes, among others, not to declare, make or pay any dividend or other distribution in an amount more than HK$40,000,000 except with the prior written consent of the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed) or as otherwise contemplated in the S&P Agreement.

As at the Latest Practicable Date, the Target Group has not paid any dividend and has no plan to pay dividend.

Conditions precedent

Completion is conditional upon the following Conditions being satisfied and/or waived on or before Completion:

1. the passing at the SGM of a resolution to approve the transactions contemplated under the S&P Agreement in accordance with the Listing Rules;

2. copies of all consents and approvals required on the part of the Vendor and the Company in relation to the transactions contemplated under the S&P Agreement and other relevant transaction documents having been delivered to the Purchaser;

3. the receipt by the Purchaser of prepayment documents in relation to each of the Outstanding Banking Facilities including (I) a copy of a duly executed pay-off letter between, amongst others, the Target Company and the facility agent under the Outstanding Banking Facilities in a form acceptable to the Purchaser (acting reasonably), (i) confirming the outstanding amount to be repaid or prepaid under each of the Outstanding Banking Facilities and the proportions of such amounts owing to each finance party under the 2013 Facility, and the details of the relevant account of IBT to which the repayment or prepayment should be deposited; (ii) confirming that the facility agent shall make the signed but undated relevant release documents available for inspection by the solicitors of the Purchaser on the Completion Date prior to the Purchaser's performance of its obligations under Completion arrangements in accordance with the S&P Agreement; (iii) confirming that immediately upon receipt of the amount set forth in sub-paragraph (i) above, the facility agent shall deliver or cause the delivery of the originals of the relevant signed release documents to the solicitors of the Purchaser on and dated the Completion Date; (II) a copy of a prepayment notice from the Target Company to IBT in accordance with the terms and conditions of each Outstanding Banking Facilities, in a form acceptable to the Purchaser (acting reasonably); and (III) the release documents under each Outstanding Banking Facilities are in a form acceptable to the Purchaser (acting reasonably);

4. the receipt by the Purchaser of copies of all relevant documentation evidencing that all balances between the Remaining Group and the Target Group having been paid, set off or written off in full;

5. the Vendor having completed renovation works by the creation of common areas on certain units of the PRC Property to a standard which is satisfactory to the Purchaser (acting reasonably);

6. the Target Company having obtained the relevant report and filing certificate from the relevant PRC government authorities in relation to certain renovation work of the PRC Property;

7. the receipt by the Purchaser of a copy of an agreement entered by and between the Target Company and 萬順昌(上海)企業管理有限公司 (VSC (Shanghai) Enterprise Management Company Limited*)("**VSC (Shanghai)**"), on terms and conditions that are satisfactory to the Purchaser, in relation to the renewal of the lease for the

entirety of the 23rd floor of the PRC Property for a duration of no less than 12 months commencing from 16 March 2017, provided that the Target Company will grant a one-month rent free period to VSC (Shanghai) in respect of such renewal;

8. a copy of the relevant governmental approvals from the relevant fire bureau in the PRC in respect of the tenant, VSC (Shanghai), on 23rd floor of the PRC Property having been delivered to the Purchaser;

9. each warranty given by the Vendor and the Company that is not a fundamental warranty as referred to in the S&P Agreement being true, accurate and not misleading in all material respects, and each fundamental warranty as referred to in the S&P Agreement being true, accurate and not misleading in all respects, in each case, as at Completion;

10. the Vendor having procured that the services of the current registered agent of the Target Company is terminated and the new registered agent is appointed and provide evidence of the same to the Purchaser;

11. the evidence that the IBT's representative has obtained the relevant documents as stipulated in the S&P Agreement for the release of existing mortgages of the PRC Property reasonably satisfactory to the Purchaser having been delivered to the Purchaser, that each such document has been duly notarised, delivered, accepted, forwarded and verified by certain relevant notary and notary committees;

12. each warranty given by the Purchaser pursuant to the S&P Agreement being true, accurate and not misleading in all respects as at Completion;

13. the Deposit having been paid in full by the Purchaser within 10 Business Days after the date of the S&P Agreement in accordance with the S&P Agreement; and

14. a certified true copy of meeting minutes or written resolutions of the directors of the Purchaser, authorising the execution by the Purchaser of the S&P Agreement and other documents entered into or to be entered into for the purposes of giving effect to the S&P Agreement having been delivered to the Vendor.

In relation to Condition 2 above, board approval of each of the Vendor and the Company will be required.

If the Condition 1 is not satisfied on or by the Long Stop Date, either the Vendor or the Purchaser may, by notice in writing to the Purchaser or the Vendor (as the case may be), terminate the S&P Agreement.

The Purchaser may at any time waive in whole or in part all or any of the Conditions 2 to 11 by notice in writing to the Vendor. If any of the Conditions 2 to 9 is not satisfied or waived on or by the Long Stop Date, the Purchaser may, by notice in writing to the Vendor, terminate the S&P Agreement. If any of the Conditions 10 and 11 is not satisfied or waived on or by the Long Stop Date, either the Vendor or the Purchaser may, by notice in writing to the Purchaser or the Vendor (as the case may be), terminate the S&P Agreement.

The Vendor may at any time waive in whole or in part all or any of the Conditions 12 to 14 by notice in writing to the Purchaser. If any of the Conditions 12 and 14 is not satisfied or waived on or by the Long Stop Date or the Condition 13 is not satisfied or waived within 10 Business Days after the date of the S&P Agreement, the Vendor may, by notice in writing to the Purchaser, terminate the S&P Agreement.

As at the Latest Practicable Date, Conditions 5, 8 and 13 have been satisfied.

Termination

If the S&P Agreement is terminated by the Purchaser or the Vendor in accordance with its terms, the rights and obligations of the parties under the S&P Agreement shall cease immediately, save in respect of antecedent breaches and under the certain continuing provisions under the S&P Agreement.

Termination by the Purchaser

The Purchaser may terminate the S&P Agreement by providing written notice to the Vendor if (i) the Company fails to use its best endeavour to convene the SGM to satisfy the Condition 1 by the date of 45 Business Days after the date of the S&P Agreement (provided that the Purchaser's right to terminate shall expire upon the satisfaction of the Condition 1 by the Long Stop Date); (ii) any of the Conditions 2 to 9 is not satisfied or waived on or by the Long Stop Date; (iii) the Vendor is in breach of any of its obligations in respect of the certain Completion arrangements as stipulated in the S&P Agreement on the Completion Date; or (iv) the Vendor is in breach of certain warranty as referred in the S&P Agreement at any time between the date of the S&P Agreement and the Completion. In such cases, the Vendor shall pay to the Purchaser an amount equal to the Deposit for cases (i) to (iii) and the Vendor shall pay to the Purchaser an amount equal to the 50% of the Deposit for case (iv) (which amount is a genuine pre-estimate of the losses suffered by the Purchaser in such circumstances and therefore constitutes liquidated damages payable by the Vendor) within 10 Business Days after the date of the Purchaser's written notice terminating the S&P Agreement and the Purchaser shall be entitled to the Deposit and such Deposit (together with all accrued interest) shall be released from the Vendor's Bank Account and paid to the Purchaser.

In addition, if the Condition 1 is not satisfied by the Long Stop Date and the S&P Agreement is terminated by either the Purchaser or the Vendor, the Vendor shall pay to the Purchaser the cost reimbursement in an amount not more than RMB3,000,000 in relation to the professional fees, costs and disbursement incurred by the Purchaser regarding the Disposal pursuant to the terms of engagement agreed with each respective professional advisor engaged by the Purchaser.

The Purchaser may also terminate the S&P Agreement by providing written notice to the Vendor, if at any time between the date of the S&P Agreement and the Completion, if (i) the PRC Property suffers any Material Property Damage; or (ii) the PRC Property is subject to or affected by a compulsory acquisition by any government authorities or any resolution, proposal or written notice of any potential compulsory acquisition from any government authorities. In such cases, the Purchaser shall be entitled to the Deposit and such Deposit (together with all accrued interest) shall be released from the Vendor's Bank Account and paid to the Purchaser, upon which the Vendor shall have no further liability under the S&P Agreement.

Termination by the Vendor

If the Condition 13 is not satisfied within 10 Business Days after the date of the S&P Agreement, the Vendor may terminate the S&P Agreement by providing written notice to the Purchaser. In such case, the Purchaser shall pay to the Vendor an amount equal to the Deposit (which amount is a genuine pre-estimate of the losses suffered by the Vendor in such circumstances and therefore constitutes liquidated damages payable by the Purchaser) within 10 Business Days after the date of such termination written notice.

The Vendor may also terminate the S&P Agreement by providing written notice to the Purchaser, if (i) any of the Conditions 12 and 14 is not satisfied or waived on or by the Long Stop Date; or (ii) the Purchaser is in breach of any of its obligations in respect of the certain completion arrangements as stipulated in the S&P Agreement on the Completion Date, the Vendor shall be fully entitled to the Deposit (which amount is a genuine pre-estimate of the losses suffered by the Vendor in such circumstances and therefore constitutes liquidated damages payable by the Purchaser) and any other amount (including accrued interest) in the Vendor's Bank Account and the Purchaser shall have no right to claim against the Vendor for a return of the Deposit (including accrued interest).

Others

If the S&P Agreement is terminated due to the Condition 1 is not satisfied on or by the Long Stop Date provided that the Company has used its best endeavours to convene the SGM by the date of 45 Business Days after the date of the S&P Agreement or if any of the Conditions 10 and 11 is not satisfied or waived on or by the Long Stop Date, the Purchaser shall be entitled to the Deposit and such Deposit (together with all accrued interest) shall be released from the Vendor's Bank Account and paid to the Purchaser, upon which the Vendor shall have no further liability under the S&P Agreement.

Completion

Completion shall take place on the 12th Business Day following the satisfaction or waiver of all Conditions (other than Conditions that, by their nature, can only be satisfied at Completion, but subject to such Conditions being satisfied or waived at Completion) or such other date as may be agreed by the Vendor and the Purchaser in writing.

Upon Completion, the Vendor will cease to hold any equity interest in the Target Company and the results of the Target Company will no longer be consolidated into the consolidated financial statements of the Vendor or the Company.

INFORMATION ON THE TARGET COMPANY, THE PRC PROPERTY AND ZUYING INVESTMENT

The Target Company is a company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of the Vendor. The Target Company is principally engaged in property investment. As at the Latest Practicable Date, the Target Company legally owns (including all beneficial interests) (i) the PRC Property and the exclusive right to use the Car Parks; and (ii) Zuying Investment.

The Target Company, holding the PRC Property at then, was acquired by the Group in 2013 from an independent third party at a consideration of RMB708 million (equivalent to approximately HK$897 million at the then exchange rate). Please refer to the announcement and circular of the Company dated 17 October 2013 and 18 November 2013 respectively, for further details.

The PRC Property is a 27-storey commercial building located at Nos. 828, 846 and 868 Changshou Road, Putuo District, Shanghai, PRC with a total gross floor area of 31,697.17 sq.m. As at the Latest Practicable Date, the PRC Property comprises a 3-storey retail podium at the 1st to 3rd floors (approximately 90% are rented out) and offices at the unit 402, 5th to 27th floors (approximately 82% are rented out). The Target Company possesses the valid legal title (including but not limited to the Certificates of Real Estate Ownership) of the PRC Property and as at the Latest Practicable Date, the PRC Property is subject to certain mortgages with financial institutions in respect of the Outstanding Banking Facilities. The PRC Property is currently classified as investment properties in the consolidated financial statements of the Group.

The Car Parks consists of a civil air-defense shelter with total 151 parking spaces and a total gross floor area of 4,496.69 sq.m. currently held by an independent third party. The Target Company has the exclusive use right in respect of the Car Parks.

Zuying Investment is established in the PRC and is wholly-owned by the Target Company as at the Latest Practicable Date. Zuying Investment is principally engaged in investment consulting, business information consulting, enterprise management consulting, real estate brokerage, property management and carpark operations in connection with the ownership of and investment in the PRC Property.

Selected financial information of the Target Group

Set out below is the net profit/(loss) before and after taxation and extraordinary items of the Target Group for the two years ended 31 March 2015 and 31 March 2016 and six months ended 30 September 2016, as extracted from its unaudited condensed consolidated financial information as set out in Appendix II to this circular:

	For the years ended 31 March		**For the six months ended 30 September**
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Net profit/(loss) before taxation and extraordinary items	224,148	175,250	(24,398)
Net profit/(loss) after taxation and extraordinary items	165,331	118,141	(28,214)

The unaudited net asset value of the Target Group as at 30 September 2016 was approximately HK$549.7 million.

Set out below is the reconciliation of the unaudited net asset value of the Target Group as at 30 September 2016 to the Estimated NAV as at 30 November 2016:

	HK$'000 *(Unaudited)*
Net asset value as at 30 September 2016 (as extracted from Appendix II to this circular)	549,695
Decrease in the net asset value of the Target Group from 30 September 2016 to 30 November 2016	(42,031)
Net asset value as at 30 November 2016	507,664
Adjustments made as per commercial negotiation between the Purchaser and the Vendor	
– Adjustment regarding cash and cash equivalents to be retained by the Remaining Group before Completion *(Note 1)*	(33,073)
– Fair value adjustment of the PRC Property *(Note 2)*	224,844
– Adjustment to deferred tax liability balance	188,263
– Adjustment to prepaid facilities fee in relation to the Outstanding Banking Facilities	(13,886)
– Adjustment to intercompany balance with the Remaining Group	(162,947)
– Adjustment in relation to rental receivables not taken up by the Purchaser pursuant to the S&P Agreement	(5,046)
Other accounting adjustments:	
– Increase in reversal of currency translation differences and depreciation charges on property, plant and equipment and land use right from 30 September 2016 to 30 November 2016	1,756
– Increase in reversal of currency translation differences and amortization charges on intangible assets from 30 September 2016 to 30 November 2016	403
– Increase in currency translation difference in the PRC Property from 30 September 2016 to 30 November 2016	2,280
– Increase in adjustment of deferred tax liability on intangible assets from 30 September 2016 to 30 November 2016	95
Estimated NAV as at 30 November 2016	710,353 (equivalent to approximately RMB630,864,180)

Notes:

1. The amount represents the cash and cash equivalents of the Target Company based on its unaudited management account balance as at 30 November 2016 to be retained by the Remaining Group after commercial negotiation between the Purchaser and the Vendor. Such amount had been reflected in the calculation of the Estimated NAV pursuant to the S&P Agreement.

2. Details of the fair value adjustment of the PRC Property is as below:

	HK$'000
Fair value of PRC Property as at 31 December 2016	1,531,360
(Amount equivalent to RMB1,360,000,000 per the valuation report as set out in Appendix V to this circular)	
Less: Carrying amount of the PRC Property as at 30 November 2016	(1,303,417)
Less: Reversal of currency translation difference of the PRC Property	(3,099)
Fair value adjustment of the PRC Property	224,844

3. For the reconciliation of unaudited net asset value of the Target Group as at 30 September 2016 to the Estimated NAV as at 30 November 2016, the translation of RMB into HK$ is based on the approximate exchange rate of RMB1.00 equal to HK$1.126,

Please refer to the Appendix II to this circular for further financial information of the Target Group. The Group completed the acquisition of the Target Company from an independent third party (i.e. the then vendor) on 10 December 2013 (the "**2013 Acquisition**"). The Group did not have any intention to acquire equity interest in a then subsidiary of the Target Company, namely 頤泰(上海)置業有限公司 (Yitai (Shanghai) Real Estate Limited*) ("**Yitai**"), which commenced the dissolution process on 13 August 2013, through the 2013 Acquisition, and thus Yitai did not form part of the assets to be acquired by the Group under the 2013 Acquisition. By certain trust deed arrangement in October 2013, the Target Company only acted as the trustee and held equity interest in Yitai in favour of the then vendor from 10 December 2013 to 21 November 2014, when Yitai completed the dissolution process. Upon completion of the 2013 Acquisition, the Group has not consolidated the assets and liabilities of Yitai. For details, please refer to the circular of the Company dated 18 November 2013. The management of the Group had no full access to the books and records of Yitai for the period from 1 April 2013 to 10 December 2013 and thus has not consolidated the financial information of Yitai. Consequently, the reporting accountant were unable to perform review procedures of the financial information of Yitai for the period from 1 April 2013 to 10 December 2013 and determine the necessary adjustments to the condensed consolidated statement of comprehensive income of the Target Group for the year ended 31 March 2014. Accordingly, the reporting accountant issues a qualified conclusion on the financial information of the Target Group for the year ended 31 March 2014.

INFORMATION ON THE VENDOR AND THE GROUP

The Vendor is a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

The Group is principally engaged in stockholding and distribution of construction materials such as steel products; trading of sanitary wares, kitchen cabinets and engineering plastics; steel recycling and property business.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the acquisition of the PRC Property in 2013, the Company has carried out value enhancement works and tenant upgrade on the PRC Property, resulting in approximately 91% increase in the gross rental revenue.

The Directors are of the view that (i) the current market presents a good opportunity for the Group to realise its investment in the PRC Property through the Disposal; and (ii) the Disposal allows the Group to enhance its working capital and liquidity.

The net cash proceeds from the Disposal, after deducting the Facilities Payment Amount in relation to the Target Group in the amount of approximately HK$834.4 million, the estimated capital gain tax of approximately HK$73.4 million and the estimated transaction costs in relation to the Disposal of approximately HK$83.6 million, will amount to approximately HK$550.6 million.

The details of the estimated transaction costs for the Disposal are set out as follows:

	HK$'000
Disposal advisory fee *(Note 1)*	46,262
Legal and professional fee	5,013
Stamp duty	764
Capital gain tax may be paid on behalf of the then vendor during the 2013 Acquisition *(Note 2)*	31,596
	83,635

It is currently intended that the net proceeds will be applied as follows:

(i) 51% of the net proceeds (or approximately HK$280 million) for repayment of a bridging loan of the Remaining Group provided by a bank in Hong Kong within one business day after Completion;

(ii) 27% of the net proceeds (or approximately HK$151 million) for the repayment of other bank loans of the Remaining Group which are due in April and May 2017;

(iii) 11% of the net proceeds (or approximately HK$60 million) for the payment of operating expenses of the Remaining Group; and

(iv) the remaining balance (or approximately HK$59.6 million) for the settlement of accounts payable of the Remaining Group.

Accordingly, the Disposal will enable the Group to increase its working capital and reduce its bank borrowings, to improve its liquidity and strengthen the overall financial position and to facilitate its future development should opportunities arise.

The net cash proceeds of approximately HK$550.6 million had not taken into account the cash and cash equivalents of the Target Company to be retained by the Remaining Group upon Completion.

Based on the net asset value of the Target Group as at 30 September 2016, it is expected that completion of the Disposal will generate a pre-tax gain of approximately HK$179.6 million for the Group as set out in the unaudited pro forma financial information of the Remaining Group in Appendix IV to this circular, after taking into account the estimated transaction costs in relation to the Disposal, subject to the adoption of the actual exchange rate between HK$ and RMB on the Completion Date and the Adjustment to the Consideration as stated in S&P Agreement.

On the basis of the above factors, the Directors are of the view that the terms of the S&P Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon the Completion, the Target Group will cease to be subsidiaries of the Company.

Notes:

1. The disposal advisory fee, comprising a basic disposal advisory fee and a taxation advisory fee, represents the fee to be paid to an investment advisory firm (the "**Disposal Advisor**") after Completion, which has rendered the below services, among others, to the Company in relation to the Disposal: (i) preparing relevant materials such as sales memorandum, due diligence packages, market information etc. in relation to the Disposal; (ii) advising and assisting in structuring transaction terms; (iii) identifying potential purchasers for the consideration of the Company; (iv) assisting the Company to negotiate key terms and conditions at the best interest of the Company; (v) assisting the Company to fulfill all Conditions precedent before the closing of transaction such as negotiation with all third parties intermediates, departments and agencies; and (vi) providing PRC tax advisory services to the Company on the Disposal. To the best knowledge of the Directors, the sole shareholder and the relevant employees of the Disposal Advisor have over 10 years' experience in providing property acquisition, investment, disposal and taxation advisory services in Greater China. The Disposal Advisor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

   The Disposal Advisor was introduced to the Company through business acquaintance of the Directors in 2012. Since then, the Company has kept contacts with the Disposal Advisor in relation to the updates and market information regarding the properties industry in the PRC. In relation to the Disposal, the Company has also approached potential purchasers directly and other advisory firms. The Company engaged the Disposal Advisor primarily due to: (i) among the potential purchasers, including the potential purchasers approached by the Company itself and potential purchasers referred by other advisory firms, the preliminary offer package (including purchase price) for the Target Group offered by the Purchaser was among the best and the Purchaser is able to suit the settlement requirements of the Company in USD, which facilitates the repayment of the Facilities Payment Amounts; and (ii) the basic advisory fee and the taxation advisory fee payable to the Disposal Advisor, which represents 2% and 1% of the Consideration respectively, were negotiated on arms-length basis between the Company and the Disposal Advisor, which to the best knowledge of the Directors, are within market range of 1% to 3% based on the Directors' past experiences and understanding of rate charges in working with advisory firms in the past and the quotes obtained from other advisory firms verbally by the Company in relation to the Disposal.

   The Directors consider that such disposal advisory fee is fair and reasonable taking into account: (i) the scope of service provided by the Disposal Advisor; (ii) the preliminary offer package (including purchase price) for the Target Group offered by the Purchaser was among the best and the potential overseas purchasers which suit the settlement requirements of the Company that the Disposal Advisor may identify; and (iii) the basic disposal advisory fee and taxation advisory fee payable to the Disposal Advisor, which represents 2% and 1% of the Consideration respectively and to the best knowledge of the Directors, are within market range of 1% to 3% based on the Director's past experiences and understanding of rate charges in working with advisory firms in the past and the quotes obtained from other advisory firms verbally by the Company in relation to the Disposal.

2. The amount represents the estimated capital gain tax related to the 2013 Acquisition of the Target Company. Subject to the PRC tax authority's ruling, the tax liability may need to be settled by the then vendor. The PRC tax authority may also request the Group to settle the tax liability on behalf of the then vendor if the PRC tax authority does not accept the acquisition cost paid by the Group to the then vendor in the 2013 Acquisition of the Target Company as the basis for computing the capital gain tax. Pursuant to a sales and purchase agreement dated 12 October 2013 between the Group and the then vendor, if the Group had settled the tax liability on behalf of the then vendor, the management of the Group, after consulting with its legal advisor, is of the view that the Group has the legal rights to request for a reimbursement from the then vendor and the Group will take all necessary action including legal action to recover from the then vendor all the losses sustained by the Group if such situation arises. However, the Group has made full provision for this amount since the outcome of successfully exercising such legal rights is subject to uncertainty.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the Disposal and therefore no Shareholder is required to abstain from voting in respect of the proposed resolution approving the S&P Agreement and the transactions contemplated thereunder at the SGM.

EFFECT OF THE DISPOSAL ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Earnings

For the year ended 31 March 2016, the Group recorded an audited profit for the year of approximately HK$71.3 million. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming Completion had taken place on 1 April 2015, the unaudited pro forma consolidated profit of the Remaining Group for the year ended 31 March 2016 would be approximately HK$199.8 million.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 September 2016 were approximately HK$4,129.5 million and HK$3,076.0 million respectively. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming Completion had taken place on 30 September 2016, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK$3,257.7 million and HK$2,022.9 million respectively.

All intercompany balances between the Remaining Group and the Target Group will be paid, set off or written off in full by the Completion Date.

THE SGM

Set out on pages 102 to 103 of this circular is a notice convening the SGM to be held at 1st Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong at 2:00 p.m. on Wednesday, 15 March 2017.

At the SGM, an ordinary resolution for approving the S&P Agreement, the Disposal and the transactions contemplated thereunder will be proposed for the Shareholders' approval. The resolution will be voted by way of poll at the SGM. An announcement on the results of the SGM will be made by the Company after the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors are of the view that the Disposal pursuant to the S&P Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Hong Kong Shanghai Alliance Holdings Limited
Yao Cho Fai Andrew
Chairman

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the years ended 31 March 2014, 2015 and 2016 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2016, including the notes thereto, have been published in the following documents respectively which are incorporated by reference into this circular.

- annual report of the Company for the year ended 31 March 2014 published on 21 July 2014 (page 38 to page 168);

- annual report of the Company for the year ended 31 March 2015 published on 22 July 2015 (page 42 to page 173);

- annual report of the Company for the year ended 31 March 2016 published on 19 July 2016 (page 61 to page 180); and

- interim report of the Company for the six months ended 30 September 2016 published on 13 December 2016 (page 4 to page 35).

The said annual reports and the interim report of the Company are available on the Company's website (http://www.hkshalliance.com), and the Stock Exchange's website (http://www.hkexnews.hk).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has total borrowings of approximately HK$2,431,973,000, comprising bank loans of approximately HK$443,290,000 (in which approximately HK$99,667,000 was secured by bank deposits, and the remaining balance of approximately HK$343,623,000 was secured by guarantee provided by the Company), trust receipt bank loans of approximately HK$702,909,000 (secured by the Group's inventories held under trust receipt bank loans arrangements) and secured mortgage loans of approximately HK$1,285,774,000.

Contingent liabilities

The Group had no contingent liabilities as at 31 December 2016.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 31 December 2016.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 December 2016.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that they are not aware of any material adverse change in the financial position of the Group since 31 March 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available facilities and the effects of the Disposal, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon Completion, the Remaining Group will continue to be principally engaged in all of its current business segments, namely stockholding and distribution of construction materials such as steel products; trading of sanitary wares, kitchen cabinets and engineering plastics; steel recycling and property business.

As disclosed in the sub-section headed "Reasons for and Benefits of the Disposal" in the "Letter from the Board" to this circular, the Directors are of the view that the Disposal will enable the Remaining Group to increase its working capital, improve its liquidity and strengthen the overall financial position and to facilitate its future development should opportunities arise. The Remaining Group will continue to exert considerable efforts in revitalizing properties under its portfolio and explore further opportunities and properties in Shanghai and elsewhere in China which may be identified from time to time and are considered to be sound.

As at the Latest Practicable Date, the Company

(i) does not have any plan/intention to further dispose its properties nor has any intention to, has entered, or proposes to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied and negotiation (whether concluded or not) with an intention to dispose of/downsize the current businesses of the Company; and

(ii) has not identified any qualified property for acquisition nor has any confirmed timetable for further acquisition.

Please refer to the sub-section headed "Management discussion and analysis of the Remaining Group — For the six months ended 30 September 2016 — 1. Business — Outlook" in Appendix III to this circular for further information.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this circular.

pwc 羅兵咸永道

REPORT ON REVIEW OF FINANCIAL INFORMATION OF EASTLINK INTERNATIONAL INVESTMENT INC.

(incorporated in the British Virgin Islands with limited liability)

To the Board of Directors of Eastlink International Investment Inc.

Introduction

We have reviewed the financial information set out on pages 31 to 41 which comprise the condensed consolidated statements of financial position of Eastlink International Investment Inc. (the "Disposal Company") and its subsidiary (together, the "Disposal Group") as of 31 March 2014, 31 March 2015 and 31 March 2016 and 30 September 2016, and the condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for each of the years ended 31 March 2014, 31 March 2015 and 31 March 2016 and each of the six-month periods ended 30 September 2015 and 30 September 2016 and explanatory notes (the "Financial Information"). The Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Hong Kong Shanghai Alliance Holdings Limited (the "Company") in connection with the disposal of the Disposal Group in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule").

The directors of the Company are responsible for the preparation and presentation of the financial information of the Disposal Group in accordance with the basis of preparation set out in note 2 to the Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rule. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial

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Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibility is to express a conclusion on this Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by HKICPA. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion on the financial information for the year ended 31 March 2014

As described in note 2 to the Financial Information, the Disposal Group disposed of a then subsidiary, Yitai (Shanghai) Real Estate Limited ("Yitai") on 10 December 2013 and has not consolidated the financial information of Yitai for the period from 1 April 2013 to 10 December 2013. This is not in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". Had the financial information of Yitai for the period from 1 April 2013 to 10 December 2013 been consolidated, certain elements in the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 March 2014 would have been affected. Management of the Disposal Group was unable to gain full access to the books and records of Yitai since its disposal and we were therefore unable to perform review procedures of the financial information of Yitai for the period from 1 April 2013 to 10 December 2013. Consequently, we were unable to determine the effects on the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 March 2014 due to the failure to consolidate the financial information of Yitai for the period from 1 April to 2013 to 10 December 2013.

Qualified Conclusion on the financial information as of and for the year ended 31 March 2014

Except for the effects of the matter described in the Basis for Qualified Conclusion on the financial information for the year ended 31 March 2014 paragraph above, nothing has come to our attention that causes us to believe that the financial information as of and for the year ended 31 March 2014 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information.

Conclusion on the financial information as of and for each of the years ended 31 March 2015 and 31 March 2016, as of 30 September 2016 and for each of the six-month periods ended 30 September 2015 and 30 September 2016

Based on our review, nothing has come to our attention that causes us to believe that the financial information of the Disposal Group as of and for each of the years ended 31 March 2015 and 31 March 2016, as of 30 September 2016, and for each of the six-month periods ended 30 September 2015 and 30 September 2016 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 February 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March			Six months ended 30 September	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	39,266	41,547	50,374	25,122	26,149
Other (losses)/gains, net	(12,633)	804	(35,001)	(19,814)	(26,451)
Fair value gain on an investment property	79,462	217,858	206,165	115,517	—
Selling and distribution expenses	—	(551)	(1,574)	(983)	(29)
General and administrative expenses	(7,595)	(6,532)	(10,963)	(3,206)	(4,278)
Operating profit/(loss)	98,500	253,126	209,001	116,636	(4,609)
Finance income	10	17	95	30	42
Finance costs	(9,625)	(28,995)	(33,846)	(14,429)	(19,831)
Profit/(loss) before income tax	88,885	224,148	175,250	102,237	(24,398)
Income tax expense	(29,258)	(58,817)	(57,109)	(31,747)	(3,816)
Profit/(loss) for the year/period	59,627	165,331	118,141	70,490	(28,214)
Other comprehensive income/(loss):					
Currency translation differences	1,459	1,245	(28,368)	(20,480)	(17,275)
Other comprehensive income/(loss) for the year/period	1,459	1,245	(28,368)	(20,480)	(17,275)
Total comprehensive income/(loss) for the year/period	61,086	166,576	89,773	50,010	(45,489)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March			As at 30 September
		2014	2015	2016	2016
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets					
Property, plant and equipment		4	19	18	15
Investment property	*3*	983,580	1,213,535	1,383,600	1,343,453
Prepayments and other receivables		18,224	10,938	9,353	5,985
		1,001,808	1,224,492	1,392,971	1,349,453
Current assets					
Prepayments, deposits and other receivables		1,031	1,558	20,690	41,473
Amount due from the immediate holding company		—	—	169,757	143,261
Amounts due from fellow subsidiaries		—	35,521	30,093	29,139
Pledged bank deposits		13,050	13,050	31,120	26,026
Cash and cash equivalents		6	1,735	1,878	15,983
		14,087	51,864	253,538	255,882
Total assets		1,015,895	1,276,356	1,646,509	1,605,335
Equity and liabilities					
Equity					
Share capital		—	—	—	—
Retained earnings		348,078	513,409	631,550	603,336
Reserves		(9,243)	(7,998)	(36,366)	(53,641)
Total equity		338,835	505,411	595,184	549,695

		As at 31 March			As at 30 September
		2014	2015	2016	2016
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities					
Non-current liabilities					
Other payables		4,990	7,520	10,755	15,820
Deferred income tax liabilities		103,005	157,855	200,513	194,324
Borrowings	*4*	561,595	565,539	774,141	761,947
		669,590	730,914	985,409	972,091
Current liabilities					
Receipts in advance		2,144	3,533	6,473	6,270
Accrued liabilities and other payables		2,948	6,569	15,055	14,540
Amount due to the immediate holding company		2,220	29,557	—	—
Amount due to a fellow subsidiary		—	—	184	357
Current income tax liabilities		158	372	1,748	4,917
Borrowings	*4*	—	—	42,456	57,465
		7,470	40,031	65,916	83,549
Total liabilities		677,060	770,945	1,051,325	1,055,640
Total equity and liabilities		1,015,895	1,276,356	1,646,509	1,605,335

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Retained earnings *HK$'000*	Reserves *HK$'000*	Total *HK$'000*
Balance at 1 April 2013	—	288,451	(10,702)	277,749
Profit for the year	—	59,627	—	59,627
Other comprehensive income				
Currency translation differences	—	—	1,459	1,459
Total comprehensive income	—	59,627	1,459	61,086
Balance at 31 March 2014	—	348,078	(9,243)	338,835
Balance at 1 April 2014	—	348,078	(9,243)	338,835
Profit for the year	—	165,331	—	165,331
Other comprehensive income				
Currency translation differences	—	—	1,245	1,245
Total comprehensive income	—	165,331	1,245	166,576
Balance at 31 March 2015	—	513,409	(7,998)	505,411
Balance at 1 April 2015	—	513,409	(7,998)	505,411
Profit for the year	—	118,141	—	118,141
Other comprehensive loss				
Currency translation differences	—	—	(28,368)	(28,368)
Total comprehensive income	—	118,141	(28,368)	89,773
Balance at 31 March 2016	—	631,550	(36,366)	595,184

	Share capital *HK$'000*	Retained earnings *HK$'000*	Reserves *HK$'000*	Total *HK$'000*
Balance at 1 April 2016	—	631,550	(36,366)	595,184
Loss for the period	—	(28,214)	—	(28,214)
Other comprehensive loss				
Currency translation differences	—	—	(17,275)	(17,275)
Total comprehensive loss	—	(28,214)	(17,275)	(45,489)
Balance at 30 September 2016	—	603,336	(53,641)	549,695
Balance at 1 April 2015	—	513,409	(7,998)	505,411
Profit for the period	—	70,490	—	70,490
Other comprehensive loss				
Currency translation differences	—	—	(20,480)	(20,480)
Total comprehensive income	—	70,490	(20,480)	50,010
Balance at 30 September 2015	—	583,899	(28,478)	555,421

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities					
Net cash generated from operations	50,576	13,599	33,029	9,108	9,123
Interest received	10	17	95	30	42
Interest paid	(8,310)	(25,051)	(28,902)	(12,457)	(16,399)
China corporate income tax paid	(3,927)	(4,139)	(4,138)	(2,455)	(544)
Net cash generated from/(used in) operating activities	38,349	(15,574)	84	(5,774)	(7,778)
Cash flows from investing activities					
Purchase of property, plant and equipment	(5)	(16)	(4)	(4)	—
Capital expenditure of an investment property	(7,421)	(10,045)	(28,710)	(7,646)	(3,667)
Net cash used in investing activities	(7,426)	(10,061)	(28,714)	(7,650)	(3,667)
Cash flows from financing activities					
Proceeds from bank loans	560,280	—	251,032	—	22,492
Repayment of a bank loan	—	—	—	—	(23,200)
Pledged bank deposits	(13,050)	—	(19,194)	—	5,094
Repayment to the then-shareholder	(580,368)	—	—	—	—
Receipt from/(advance to) the immediate holding company	2,220	27,338	(202,974)	13,981	21,430
Net cash (used in)/generated from financing activities	(30,918)	27,338	28,864	13,981	25,816

	Year ended 31 March			Six months ended 30 September	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net increase in cash and cash equivalents	5	1,703	234	557	14,371
Cash and cash equivalents, at beginning of year/period	1	6	1,735	1,735	1,878
Translation adjustments	—	26	(91)	(78)	(266)
Cash and cash equivalents, at end of year/period	6	1,735	1,878	2,214	15,983

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

Eastlink International Investment Inc. (the "Disposal Company") is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands.

The Disposal Company and its subsidiary (collectively referred to as the "Disposal Group") are principally engaged in property business in Mainland China.

2. Basis of preparation

The Financial Information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and is prepared by the Directors solely for the purpose of inclusion in this Circular. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. It should be read in connection with the annual report of Hong Kong Shanghai Alliance Holdings Limited (the "Company") for the year ended 31 March 2016. The Company and its subsidiaries are collectively referred to as the "Group".

The Financial Information has been prepared in accordance with the accounting policies adopted by the Disposal Group as set out in the annual report of the Company for the year ended 31 March 2016. These policies have been consistently applied to all the periods presented, except for the non-consolidation of a then subsidiary of the Disposal Group, Yitai (Shanghai) Real Estate Limited ("Yitai") for the period from 1 April 2013 to 10 December 2013, the date of disposal of Yitai. Pursuant to the Yitai Equity Trust Deed entered into between Eastlink and China Travel Services (Holdings) Hong Kong Ltd (the "Then Vendor") on 12 October 2013, the Disposal Company ceased to have beneficial interest in Yitai on 10 December 2013. The Disposal Company only acted as the trustee of the Then Vendor and held the equity interest in Yitai in favor of the Then Vendor since 10 December 2013 up to 21 November 2014 when Yitai was dissolved. As the management of the Disposal Group was unable to gain full access to the books and records of Yitai for the period from 1 April 2013 to 10 December 2013, the Disposal Group has not consolidated the financial information of Yitai in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements", for the period from 1 April 2013 to 10 December 2013 in the financial information of the Disposal Group for the year ended 31 March 2014.

3. Investment property

	HK$'000
At fair value	
At 1 April 2013	879,507
Capitalised subsequent expenditure	7,421
Fair value gain	79,462
Exchange differences	17,190
At 31 March 2014	983,580

	HK$'000
At 1 April 2014	983,580
Capitalised subsequent expenditure	10,045
Fair value gain	217,858
Exchange differences	2,052
At 31 March 2015	1,213,535
At 1 April 2015	1,213,535
Capitalised subsequent expenditure	28,710
Fair value gain	206,165
Exchange differences	(64,810)
At 31 March 2016	1,383,600
At 1 April 2016	1,383,600
Capitalised subsequent expenditure	3,667
Fair value gain	—
Exchange differences	(43,814)
At 30 September 2016	1,343,453

Amounts recognised in the profit or loss for the investment property as follows:

	Year ended 31 March			**Six months ended 30 September**	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Rental income	39,266	41,547	50,374	25,122	26,149
Direct operating expenses from property that generated rental income	(6,193)	(6,022)	(8,252)	(3,565)	(3,141)
	33,073	35,525	42,122	21,557	23,008

Details of the geographical location and tenure are as follows:

	As at 31 March			**As at 30 September**
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Mainland China				
— lease of between 10 and 50 years	983,580	1,213,535	1,383,600	1,343,453

As at 31 March 2014, 31 March 2015 and 31 March 2016, the investment property was stated at fair values based on valuation assessed by Knight Frank Petty Limited, an independent, professional and qualified valuer.

As at 30 September 2016, the investment property was stated at fair value based on valuation assessed by management.

The investment property was pledged as collaterals for the Disposal Group's bank borrowings of HK$561,595,000, HK$565,539,000, HK$816,597,000 and HK$819,412,000 as at 31 March 2014, 31 March 2015, 31 March 2016 and 30 September 2016, respectively.

The following table analyses the investment property carried at fair value, by valuation method. The fair values are measured using significant unobservable inputs (Level 3).

	As at 31 March			As at 30 September
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
— Commercial units — Mainland China	983,580	1,213,535	1,383,600	1,343,453

Fair value measurement using significant unobservable inputs (Level 3)

	Year ended 31 March			Six months ended 30 September	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total unrealised gain recognised	79,462	217,858	206,165	115,517	—

Valuation processes of the investment property

The Disposal Group engages external, independent and qualified valuer to determine the fair value of the investment property at the end of each financial year. As at 31 March 2014, 31 March 2015 and 31 March 2016, the fair values of the investment property was determined by Knight Frank Petty Limited, an independent valuer.

As at 30 September 2015, the fair value of the investment property was determined by Savills Valuation and Professional Service Limited an independent valuer. As at 30 September 2016, the fair value was determined by management.

The main Level 3 input used by the Company is derived and evaluated as follows:

Adjusted market yield

The adjusted market yield has been determined by making reference to recent sales and rental transactions with adjustments to reflect the differences between the comparable and the investment property, in terms of location, building quality and other factors.

4. Borrowings

	As at 31 March			As at 30 September
	2014	**2015**	**2016**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
Current				
— Current portion of long-term bank loans, secured	—	—	42,456	57,465
Non-current				
— Long-term bank loans, secured	561,595	565,539	774,141	761,947
Total	561,595	565,539	816,597	819,412

Note: As at 31 March 2014, 31 March 2015, 31 March 2016 and 30 September 2016, the borrowings were secured by the pledge of the Disposal Group's investment property (Note 3) and pledged bank deposits.

The maturity of the Disposal Group's borrowings in accordance with the repayment schedule:

	As at 31 March			As at 30 September
	2014	**2015**	**2016**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	—	—	42,456	57,465
Between one and two years	—	45,243	67,069	121,212
Between two and five years	561,595	520,296	707,072	640,735
Total	561,595	565,539	816,597	819,412

The borrowings were denominated in the following currencies:

	As at 31 March			As at 30 September
	2014	**2015**	**2016**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
HK$	561,595	565,539	569,483	548,247
US$	—	—	247,114	271,165
Total	561,595	565,539	816,597	819,412

All borrowings as at 31 March 2014, 31 March 2015, 31 March 2016 and 30 September 2016 are on floating rate basis and the carrying amounts of the borrowings approximated their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis of the operating results and business review of the Remaining Group for each of the year ended 31 March 2014, 2015, 2016 and for the six months ended 30 September 2016.

For the six months ended 30 September 2016

1. Business Review

Construction materials business

The Remaining Group's construction materials business comprises Hong Kong construction products processing and distribution (mainly rebars and pilings in the period ended 30 September 2016), surface critical coil processing and distribution, steel recycling and reinforcing bar processing and assembly business (conducted through the Remaining Group's 50%-owned joint venture TVSC Construction Steel Solutions Limited ("**TVSC**")), which started operation in January 2016.

This business recorded total revenue of approximately HK$1,079 million for the period, approximately 85% of the same period last year. This was mainly due to steel price decrease during late 2015 and early 2016. The tons decreased by 6%, primarily due to weaker demand in Hong Kong construction projects.

The net profit of the Remaining Group's construction materials business was approximately HK$4 million, approximately 27% of the same period last year mainly due to (i) decrease of total net profit of Hong Kong construction products and surface critical coil processing and distribution by approximately 23% year-on-year ("**YOY**") to approximately HK$26 million in the period, primarily due to a decrease in their total revenue by approximately 15% to approximately HK$1,009 million in the period in spite of an increase of their total gross profit margin by 49 basis points to approximately 9%, as steel price decreased in the period; (ii) net loss of steel recycling of about HK$9 million in the period, down approximately HK$10 million YOY, due to various cost saving measures to reduce variable expenses and overheads and expansion of revenue stream by increasing the utilization of fixed assets and workforce for the Remaining Group's affiliated companies and other third party customers; (iii) rental and depreciation expenses for the automated rebar processing and assembly plant in Tsing Yi totaling approximately HK$26 million in the period; and (iv) net loss from the share of result of joint venture of approximately HK$9 million from TVSC .

Engineering plastics business

The Remaining Group's engineering plastics business recorded revenue of approximately HK$137 million, down approximately 31% YOY, with tons sold decreased by approximately 20% YOY, as the Remaining Group moved away from customers in Hong Kong and Southern China where margins were too low or credit risk was high. This business recorded a net profit of approximately HK$0.3 million in the period, versus a net loss of approximately HK$3 million in the same period last year driven by higher margins and lower expenses.

Building and design solutions business

The Remaining Group's building and design solutions ("**BDS**") business delivered revenue of approximately HK$270 million in the period, up approximately 4% YOY. Net profit increased by approximately 254% to approximately HK$15 million in the period, mainly due to YOY increase of sales and net profit of the Hong Kong business by 33% and 464% respectively. Strong project sales growth in Hong Kong helped to improve segment profit.

Property business

During the period, the Remaining Group's property business recorded a net profit of approximately HK$91 million on revenue of approximately HK$5 million, versus a net loss of approximately HK$9 million on revenue of approximately HK$5 million in the same period last year.

For the Remaining Group's wholly-owned investment property, namely Central Park Pudong (中港滙•浦東, previously named as 創屹商務大廈 (Chuang Yi Tower*), the acquisition of which was completed in late June 2016), based on a valuation report issued by an independent international property valuer, the carrying amount of this investment property was approximately HK$1,209 million at end of the period, resulted in a valuation gain of approximately HK$234 million and a related deferred tax liability provision of approximately HK$58 million for the period.

For the Remaining Group's investment in Park Lane (尚泰里, previously named as Metro Park (維景酒店公寓)) project of which the Remaining Group owns 29.44% equity interest, strata-sale promotion program has been started in mid-December 2015 and up to 30 September 2016, sale and purchase contracts for about 93% of the units offered had been signed. During the period, the Remaining Group shared a net loss of approximately HK$70 million from this investment due to (i) the Remaining Group's 29.44% share of the 100% write off of the goodwill of HK$166 million arising from the acquisition of Park Lane or HK$49 million; and (ii) share of net loss of approximately HK$21 million from Park Lane, mainly due to transaction taxes and marketing expenses incurred during the period.

Outlook

In spite of a challenging market, the Remaining Group's construction materials business managed to increase market share. The Remaining Group's margin percentage and total margin also increased. New investments have started to impact top and bottom line but will take time to reach optimum levels.

The Remaining Group has been excited to operate one of the world's most modern and automated rebar processing and assembly plant in Hong Kong. This new investment has allowed the Remaining Group to become strategically important to its customers and the value the Remaining Group would provide makes it essential to their success and difficult to be replaced.

The Remaining Group's property investments are all located in strategic areas of Shanghai that are still transforming and increasing in value.

Its biggest challenge is maintaining margin levels while reducing expenses as the Remaining Group become more efficient. The Remaining Group expects the volatility in the global economy to continue in the near term and will focus to reduce expense, manage cash effectively, while addressing risk.

The Remaining Group expects the global steel market to continue to face imbalances. Mainland China's steel production continues to outpace demand and will continue to put pressure on its margins. While the Remaining Group saw price recovery in the first few months of 2016, it feels that fundamentals do not exist to support these price levels. Iron ore output continues to outpace demand giving steel mills some cost relief as steel price falls. As a leading regional provider of construction materials, the Remaining Group is confident that its construction materials business will be able to further expand its business scale as it has (i) successfully transformed itself from an ordinary steel supplier into a market leading, highly customized and automated steel processor with leading technologies; and (ii) moved from a product driven offer to a service-based and supply chain management value proposition. In particular, the Remaining Group's construction materials business has started operations of Hong Kong's first automated rebar processing and assembly plant in Tsing Yi in early 2016 which will enable highly automated steel processing to be carried out in a more efficient, less costly and much safer environment. This new investment is now at the ramp up stage and the Remaining Group anticipates that it will start contributing in 2018.

As demand for construction materials is expected to increase as a result of PRC's government policies such as "the Belt and Road" initiative, the Remaining Group's construction materials business is well positioned to capture such opportunity through its enhanced supply chain model; which will not only enable it to serve its customers that have expanded or are expanding trade and investment beyond Hong Kong to serve "the Belt and Road" initiative, but also to expand regionally into Southeast Asia.

For BDS Business, the Remaining Group will work closely with its brand partners to increase sales by offering new products and eliminate non-performing products, exercising strict cost and expense control, focusing on assets and working capital management. With this approach, the Remaining Group will work to minimise the impact from the market slowdown in Mainland China and strengthen its position for the market recovery.

The Remaining Group's engineering plastics business will continue to focus on higher margin products and growing segments such as automotive, home appliances and electronics to drive sales growth in Mainland China, especially Xiamen, Shanghai and Suzhou. The Remaining Group has worked to strengthen its ties to supplier partners and revised its incentive program to improve contribution margin and reduce operating expenses.

The Remaining Group's property business will help it further enhance its revenue and profit sources. Central Park Pudong started its renovation since July 2016 and expected to complete the renovation before the end of April 2017. The Remaining Group will continue to exert considerable efforts in revitalizing properties under its portfolio and explore further opportunities and properties in Shanghai which may be identified and evaluated by its property team from time to time and are considered to be sound. Shanghai shall continue to be a geographical focus and core investment market of the Remaining Group's property business as the Company is confident that the continuous evolution of Shanghai towards a service-driven economy will not only boost its international stature, but also generate demand for quality office space.

To tackle the foreign exchange translation exposure of the Remaining Group's property business, the Remaining Group is exploring hedging and Renminbi refinancing opportunities for the foreign currency bank loans.

2. Financial Review

Liquidity and financing

Compared with financial year ended 31 March 2016, as at 30 September 2016, the Remaining Group's total assets increased from approximately HK$2,044 million to approximately HK$2,658 million. Net assets value of the Remaining Group increased from approximately HK$423 million to approximately HK$463 million as at 30 September 2016.

The Remaining Group's cash and cash equivalent were approximately HK$208 million as at 30 September 2016 as compared with HK$544 million as at 31 March 2016, of which about 10% were in US dollar, about 33% were in RMB, about 57% were in HK dollar. Compared with the financial position at 31 March 2016, the Remaining Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$313 million to approximately HK$259 million while the Remaining Group's borrowings increased by approximately HK$485 million to approximately HK$1,661 million as at 30 September 2016. Out of the Remaining Group's borrowings as at 30 September 2016, HK$843 million was repayable within one year, HK$349 million was repayable in the second year and HK$469 million was repayable within third to fifth year. Current ratio decreased from 1.09 to 0.88, while gearing ratio (net debt, which is total borrowings minus pledged bank deposits and cash and cash equivalents, divided by capital and reserves attributable to equity holders of the Company plus net debt) increased from 59% to 75%.

All of the Remaining Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Remaining Group's overall treasury and funding policies focus on managing financial risks including interest rate and foreign exchange risks, and on cost efficient funding of the Remaining Group and its subsidiaries. The Remaining Group has always adhered to prudent financial management principles.

The Remaining Group's trade financing remained primarily supported by its bank trading and term loan facilities. As at 30 September 2016, about 33% of the Remaining Group's interest-bearing borrowings for trade financing purpose and financing of investment properties were denominated in HK dollar, about 32% in RMB and about 35% in US dollar. These facilities are either secured by the Remaining Group's inventory held under short-term trust receipts bank loan arrangement and/or pledged bank deposits and/or corporate guarantee provided by the Company. All of the above borrowings were on floating rate basis. Interest costs of import bank loans were levied on interbank offered rates plus very competitive margin. RMB loans and bill exchange facilities have been obtained from domestic and foreign banks in the amount of RMB597 million. Interest costs of RMB banking facilities were based on standard loan rates set by the People's Bank of China adjusted with competitive margin.

Charges on Assets

As at 30 September 2016, the Remaining Group had certain charges on assets which included (i) bank deposits of approximately HK$51 million which were pledged as collateral for the Remaining Group's bank borrowings and banking facilities; and (ii) investment property of approximately HK$1,209 million, was pledged as collaterals for certain bank borrowings of the Remaining Group.

Exposure to fluctuations in exchange rates and related hedges

The Remaining Group's businesses are primarily transacted in HK dollars, US dollars and RMB. As exchange rate between HK dollars and the US dollars is pegged, the Remaining Group believes its exposure to exchange rate risk arising from US dollars is not material. Facing the volatility of RMB, the Remaining Group will continue to match RMB payments with RMB receipts to minimise exchange exposure. Forward foreign exchange contracts would be entered into when suitable opportunities arise and when management of the Remaining Group considers appropriate, to hedge against major non-HK dollars currency exposures. It is the Remaining Group's policy not to enter into any derivative transaction for speculative purposes.

Contingent liabilities

As at 30 September 2016, the Remaining Group had no material contingent liability.

Significant investments, material acquisitions and disposals

Save for the acquisition of Central Park Pudong, the Remaining Group did not make any significant investments, material acquisitions or disposals during the six months ended 30 September 2016.

Future plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plans for material investments nor addition of capital assets during the period ended 30 September 2016.

Human capital

The Remaining Group is focusing on building an elite team to help lead the Remaining Group to future success. Its growth strategy includes a strong sense of commitment to people. The Remaining Group provides competitive remuneration package to attract and motivate the employees. The Remaining Group always provides a safe and pleasant working environment with constant learning and growth opportunities. As at 30 September 2016, the Remaining Group employed 308 staff. Total staff costs including contribution to retirement benefits schemes incurred during the period ended 30 September 2016 amounted to approximately HK$58 million. During the period, no options have been offered and/or granted to the Directors and employees of the Remaining Group under the share option scheme of the Company adopted on 11 August 2011.

For the year ended 31 March 2016

1. Business Review

Construction materials business

The Remaining Group's construction materials business comprises Hong Kong construction products processing and distribution (mainly rebars and pilings for the year ended 31 March 2016), surface critical coil processing and distribution, steel recycling (acquired in September 2014) and reinforcing bar processing and assembly business (conducted through TVSC). This business recorded total revenue of approximately HK$2,466 million for the year, approximately 85% of last year in spite of YOY increase of tons sold of approximately 17%, 7% and 5% respectively in Hong Kong construction products processing and distribution, surface critical coil processing and distribution and steel recycling, as steel price decreased in the year.

The net profit of the Remaining Group's construction materials business was approximately HK$70 million, approximately 58% of last year mainly due to (i) decrease of total net profit of Hong Kong construction products and surface critical coil processing and distribution by approximately 19% YOY to approximately HK$112 million in the year, primarily due to a decrease in their total revenue by approximately 15% to approximately HK$2,338 million in the year in spite of an increase of their total gross profit margin by 246 basis points to approximately 11% and tons sold increased by 14% YOY, as steel price decreased in the year; and (ii) increase of net loss of steel recycling due to YOY increase of selling, general and administrative expenses by approximately HK$26 million (12-month expenses in the year versus 5.5-month expenses in last year), including one-off restructuring expenses of approximately HK$2 million incurred in the year. The Remaining Group has been more selective in its customers and the Remaining Group has changed its sales channels and product mix (mainly construction steel scraps from customers of its construction products distribution business). The Remaining Group has also started to take various cost saving measures to reduce variable expenses and overheads and expand revenue stream by increasing the utilization of fixed assets and workforce for its affiliated companies and other third party customers.

Building and design solutions business

The Remaining Group's BDS business delivered revenue of approximately HK$489 million in the year, down approximately 4% YOY. Net profit decreased by approximately 87% to approximately HK$2 million in the year, mainly due to (i) one-off restructuring expenses of approximately HK$1 million of the Remaining Group's Mainland China BDS business; (ii) one-off impairment of long-outstanding and doubtful accounts receivables totaling approximately HK$8 million related to customers in Hunan and Hubei Provinces; (iii) slowdown of the residential property market in Mainland China which affected the Remaining Group's wholesale sales and margin in the year; and (iv) projects delay in Hong Kong.

Engineering plastics business

The Remaining Group's engineering plastics business recorded revenue of approximately HK$365 million, down approximately 9% YOY, with tons sold and average selling price per ton decreased by approximately 2% and 7% respectively YOY, as the Remaining Group moved away from customers in Hong Kong and Southern China where margins were too low or credit risk was high. Due to an unrealized exchange loss of approximately HK$5 million arising mainly from translation of foreign currency trade payables of the Remaining Group's operating subsidiaries in Mainland China and restructuring expenses of approximately HK$0.1 million, this business recorded a net loss of approximately HK$4 million in the year, versus a net profit of approximately HK$1 million in the last year.

Property business

The Remaining Group's expertise and proven track record of carrying out value enhancement works on properties under management (Park Lane (previously known as Metro Park)) in the year which has the effect of improving tenant mix and occupancy rate, increasing rental return and bringing valuation appreciation continued to help the Remaining Group achieve success and deliver excellent results in the year. For Park Lane of which the Remaining Group owns 29.44% equity interest, strata-sale promotion program has been started in mid-December 2015 and up to 31 March 2016, sale and purchase contracts for about 72% of the units offered had been signed. During the year, the Remaining Group shared a net profit of approximately HK$15 million from its investment on Park Lane. The Remaining Group's property business recorded a net profit of HK$9 million on revenue of approximately HK$13 million in the year, versus a net loss of approximately HK$6 million on revenue of approximately HK$10 million in last year.

As disclosed in the Company's circular dated 28 October 2015, 上海新施房地產經紀有限公司 (Shanghai Xinshi Real Estate Brokerage Co., Ltd*.), a wholly-owned subsidiary of the Company, as the purchaser, and 上海電氣集團置業有限公司 (Shanghai Electric Group Real Estate Co., Ltd.*) (an independent third party) as the vendor entered into a framework agreement dated 16 September 2015 to acquire 創屹商務大廈 (Chuang Yi Tower*, now name Central Park Pudong) located at Pudong, Shanghai for a total consideration of RMB801,308,900 (equivalent to approximately HK$970,385,000 at the then exchange rate). This acquisition was approved by the Shareholders in a special general meeting held on 26 November 2015 and has been completed in June 2016.

Outlook

In spite of a challenging market, the Remaining Group's construction materials business managed to increase market share. New investments have started to impact top and bottom line but will take time to reach optimum levels.

The Remaining Group has been excited to operate one of the world's most modern and automated rebar processing and assembly plant in Hong Kong. This new investment has allowed the Remaining Group to become strategically important to its customers and the value the Remaining Group would provide makes it essential to their success and difficult to be replaced. The Remaining Group's property investments are all located in strategic areas of Shanghai that are still transforming and increasing in value. Its biggest challenge is maintaining margin levels while reducing expenses as the Remaining Group become more efficient. The Company expects the volatility in the global economy to continue in the near term and will focus to reduce expense, manage cash effectively, while address risk.

The Remaining Group expects the global steel market to continue to face imbalances. Mainland China's steel production continues to outpace demand and will continue to put pressure on pricing. While price recovery has been noted in the first few months of 2016, fundamentals do not exist to support these price levels. Iron ore output continues to outpace demand giving steel mills some cost relief as steel price falls. As a leading regional provider of construction materials, the Remaining Group is confident that its construction materials business will be able to further expand its business scale as it has (i) successfully transformed itself from an ordinary steel supplier into a market leading, highly customized and automated steel processor with leading technologies; and (ii) moved from a product driven offer to a service-based and supply chain management value proposition. In particular, the Remaining Group's construction materials business has completed the construction of Hong Kong's first automated rebar processing and assembly plant in Tsing Yi in January 2016 which will enable highly automated steel processing to be carried out in a more efficient, less costly and much safer environment. As demand for construction materials is expected to increase as a result of PRC's government policies such as "the Belt and Road" initiative, the Remaining Group's construction materials business is well positioned to capture such opportunity through its enhanced supply chain model; which will not only enable it to serve its customers that have expanded or are expanding trade and investment beyond Hong Kong to serve "the Belt and Road" initiative, but also to expand regionally into Southeast Asia.

For BDS Business, the Remaining Group will work closely with its brand partners to increase sales by offering new products and eliminate non-performing products, exercising strict cost and expense control, focusing on assets and working capital management. With this approach, the Remaining Group will work to minimise the impact from the market slowdown in Mainland China and strengthen its position for the market recovery.

The Remaining Group's engineering plastics business will focus on higher margin products and growing segments such as automotive, home appliances and electronics to drive sales growth in Hong Kong and Mainland China, especially Xiamen, Shanghai and Suzhou. The Remaining Group has worked to strengthen its ties to supplier partners and revised its incentive program to improve contribution margin and reduce operating expenses.

The Remaining Group's property business will help it further enhance its revenue and profit sources. The Remaining Group will continue to exert considerable efforts in revitalizing properties under its portfolio and invest in further opportunities and properties in Shanghai which may be identified and evaluated by its property team from time to time and are considered to be sound. Shanghai shall continue to be a geographical focus and core investment market of the Remaining Group's property business as the Company is confident that the continuous evolution of Shanghai towards a service-driven economy will not only boost its international stature, but also generate demand for quality office space.

2. Financial Review

Liquidity and financing

Compared with last financial year ended 31 March 2015, as at 31 March 2016, the Remaining Group's total assets increased by approximately HK$416 million to approximately HK$2,044 million. Net assets value of the Remaining Group decreased by approximately HK$85 million to approximately HK$423 million as at 31 March 2016. The Remaining Group's cash and cash equivalent were approximately HK$544 million as at 31 March 2016 as compared with HK$355 million as at 31 March 2015, of which about 13% were in US dollar, about 56% were in RMB, about 31% were in HK dollar. Compared with the financial position at 31 March 2015, the Remaining Group's cash and cash equivalents and pledged bank deposits, increased by approximately HK$193 million to approximately HK$572 million while the Remaining Group's borrowings increased by approximately HK$293 million to approximately HK$1,176 million as at 31 March 2016. Out of the Remaining Group's borrowings as at 31 March 2016, HK$810 million was repayable within one year, HK$329 million was repayable in the second year and HK$37 million was repayable within third to fifth year. Current ratio of the Remaining Group decreased to 1.09, while gearing ratio (net debt, which is total borrowings minus pledged bank deposits and cash and cash equivalents, divided by capital and reserves attributable to equity holders plus net debt) increased from 50% to 59%.

All of the Remaining Group's financing and treasury activities are centrally managed and be controlled at the corporate level. The Remaining Group's overall treasury and funding policies focus on managing financial risks including interest rate and foreign exchange risks, and on cost efficient funding of the Remaining Group and its subsidiaries. The Remaining Group has always adhered to prudent financial management principles. As disclosed in the Company's annual report 2014/15, the Company has issued and allotted a total of 210,757,625 ordinary shares on 17 December 2014 upon completion of an open offer (the "**Open Offer**") with net proceeds of approximately HK$100.7 million received. As at 31 March 2016, the net proceeds from the Open Offer of approximately HK$100.7 million have been fully utilised as intended, approximately 70% for (i) further product diversification; and (ii) downstream processing of the Remaining Group's reinforcement bar business unit to serve Hong Kong construction industry, including the construction of the new cut-and-bend plant and the acquisition of processing machinery and equipment for the new facility in Tsing Yi, New Territories; and the remaining balance of approximately 30% for general working capital purpose, including the expansion of its geographic presence in China and repayment of part of its short-term bank borrowings to reduce its indebtedness.

The Remaining Group's trade financing remained primarily supported by its bank trading and term loan facilities. As at 31 March 2016, about 54% of the Remaining Group's interest-bearing borrowings for trade financing purpose were denominated in HK dollar, about 6% in RMB and about 40% in US dollar. These facilities are either secured by the Remaining Group's inventory held under short-term trust receipts bank loan arrangement and/or pledged bank deposits and/or corporate guarantee provided by the Company. All of the above borrowings were on floating rate basis. Interest costs of import bank loans were levied on inter-banks borrowing rates plus very competitive margin. RMB loans and bill exchange facilities have been obtained from domestic and foreign banks in the amount of RMB173 million. Interest costs of RMB banking facilities were based on standard loan rates set by the People's Bank of China adjusted with competitive margin.

Charges on Assets

As at 31 March 2016, the Remaining Group had certain charges on assets which included bank deposits of approximately HK$27 million which were pledged as collateral for the Remaining Group's bank borrowings and banking facilities.

Exposure to fluctuations in exchange rates and related hedges

The Remaining Group's businesses are primarily transacted in HK dollars, US dollars and RMB. As exchange rate between HK dollars and the US dollars is pegged, the Remaining Group believes its exposure to exchange rate risk arising from US dollars is not material. Facing the volatility of RMB, the Remaining Group will continue to match RMB payments with RMB receipts to minimise exchange exposure. Forward foreign exchange contracts would be entered into when suitable opportunities arise and when management of the Remaining Group considers appropriate, to hedge against major non-HK dollars currency exposures. It is the Remaining Group's policy not to enter into any derivative transaction for speculative purposes.

Contingent liabilities

As at 31 March 2016, the Remaining Group's had no material contingent liability.

Significant investments, material acquisitions and disposals

Save for the acquisition of Central Park Pudong, the Remaining Group did not make any significant investments, material acquisitions or disposals during the year ended 31 March 2016.

Future plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 March 2016.

Human capital

The Remaining Group has been focusing on building an elite team to help lead the Remaining Group to future success. Its growth strategy has always included a strong sense of commitment to people. The Remaining Group provides competitive remuneration package to attract and motivate the employees. The Remaining Group always provides a safe and pleasant working environment with constant learning and growth opportunities. As at 31 March 2016, the Remaining Group employed 323 staff. The Remaining Group's total staff costs including contribution to retirement benefit schemes incurred during the year amounted to approximately HK$145 million. During the year, no options have been offered and/or granted to the Directors and employees of the Remaining Group under the share option scheme of the Company adopted on 11 August 2011.

For the year ended 31 March 2015

1. Business Review

Construction materials business

The Remaining Group's construction materials business delivered a 15% increase in sales volume (tons) for the year ended 31 March 2015 while efficiently managing working capital by reducing collection days and inventory in a market that saw an increase in obsolete product and delayed payments. The Remaining Group's construction materials business grew faster than the market as it redefined its value proposition by adjusting its organization's positioning in capabilities and products to address needs created by market trends. Tons sold to new customers (excluding acquisitions) accounted for approximately 14% of steel tons sold.

During the two years ended 31 March 2013 and 2014, the Remaining Group underwent major restructuring efforts that included divestments and organizational changes to increase its speed to market and empower leadership. The Remaining Group also made investments in business model changes aimed at addressing market trend shifts and placing it closer to customers through a differentiated value proposition. The Remaining Group increased its ownership of 上海寶順昌國際貿易有限公司 (Shanghai Bao Shun Chang International Trading Co., Ltd.*) ("**Bao Shun Chang**") to 100% in October 2013 while maintaining a supply chain agreement with

寶鋼西部公司. This ownership change allowed the Remaining Group to diversify its purchase of steel to include other mills allowing the Remaining Group to expand its geographic reach. As a result, Bao Shun Chang delivered approximately 17% volume growth for the year ended 31 March 2015 and an approximately 70% increase in operating profit.

The Remaining Group's Hong Kong based construction steel business took solid steps to change its value proposition. The Remaining Group successfully tendered for about 30,000 square meters of land with pier access in Hong Kong. In a partnership with Singapore's NatSteel (a Tata Steel Enterprise), the Remaining Group started construction on what will be Hong Kong's first automated reinforcement bar processing plant. Strategically located in Tsing Yi, with ample pier access, this plant will provide Hong Kong's contractors tested and ready-to-use product with one of the most efficient supply chains and the latest processing technology. For the year ended 31 March 2015, construction steel business delivered approximately 15% sales volume growth.

In September 2014, the Remaining Group completed the acquisition of one of Hong Kong's largest steel recycling plants, He Tai Steel Co., Limited ("**He Tai**") (previously owned by China's Fengli Group). He Tai is located on an over 24,000 sq. m of space with pier access and is strategically located in Tsing Yi (very close to the Remaining Group's automated reinforcement bar processing plant). The Remaining Group invested in processing automation, logistics, handling efficiency and reduced the space needed for scrap processing and storage. He Tai continues to increase its scrap processing levels due to the investment in automation. By relocating structural steel to He Tai, the Remaining Group reduced leased space in New Territories and eliminated inbound freight costs associated with pier rental and trucking. Having two large plants with pier access gives the Remaining Group's construction steel business the ability to deliver volume and value-added growth. By leading the shift to automation in reinforcement bar processing for Hong Kong, the Remaining Group has the first mover advantage as it leads the conversion from on-site to off-site processing. Automation in reinforcement bar processing is needed in Hong Kong as it faces an aging worker population and a shortage of labour personnel.

The investment in automated reinforcement bar processing means a dramatic shift for the Remaining Group's steel business into complex, difficult-to-duplicate value-added processing and services. Barriers to entry are much higher and the Remaining Group's ability to deliver sustainable growth and profit is enhanced as it moved from a product and price model where the Remaining Group was easy to replace to a model where the Remaining Group partnered with its customers to deliver project specific, tailor made solutions. Value and complexity will allow the Remaining Group to enhance its margin as it differentiated its offer and value proposition. Continued and healthy steel demand due to Hong Kong's investment in infrastructure and residential segments will allow the Remaining Group to maintain market share in volume and deliver sustainable top line growth as it adds value to products and work to reduce on-site processing. As the Remaining Group rolls out its investment in automation, it would work with industry stakeholders and work on policy change regarding off-site reinforcement bar processing to drive efficiency and help eliminate waste. The proximity of its new Hong Kong plants (recycling and automated reinforcement bar processing) creates synergies and allows it to make effective use of shared personnel as well as assets like barges and other logistics and material handling equipment.

The Remaining Group's investment in automated processing and steel recycling allow it to contribute to Hong Kong's green initiative. Automated processing of steel scrap allowed it to drastically reduce the use of gas used in torch cutting. Automation in reinforcement bar processing will help significantly reduce waste and material movement. The Remaining Group was committed to working with government, contractors and architects to create one of the most automated and leanest supply chains in the world, helping address safety, waste and labour shortage.

Building and design solutions business

The Remaining Group's BDS business underwent a major restructuring during the two years ended 31 March 2013 and 2014. The Remaining Group closed underperforming showrooms and invested to create large architectural & design centres ("**A&D Centres**") that moved it closer to target segments and allowed to provide architects and designers access to product variety and space to work with customers that includes software solutions and testing options.

The Remaining Group invested in software that allows to specialize its commercial approach and target high-growth segments like healthcare, elderly care, luxury hotels, transportation and high-end residential. The Remaining Group also introduced two new European brands in Hong Kong to provide its customers product alternatives. As a result, BDS delivered approximately 4% revenue growth and Hong Kong, where it first piloted the A&D Centres concept as well as new brands, delivered approximately 19% revenue growth. The Remaining Group's restructuring efforts in Mainland China paid off and it delivered approximately 33% revenue growth in Changsha and Wuhan while moving from a loss position to delivering a profit. The Remaining Group would continue to research market trends and work with its brand partners to serve high-growth segments of Hong Kong and China. The Remaining Group was confident in its new business model and would continue to use it to expand geographically as China's urbanization drives its growth.

Engineering plastics business

The Remaining Group's engineering plastics business continued to expand its presence geographically during the year ended 31 March 2015. While its sales to export and re-export have decreased due to global economic slowdown, its sales in Mainland China increased by over 10% when compared with prior year. The Remaining Group has continued to expand in Southern and Eastern China.

Property business

During the year ended 31 March 2015, the Remaining Group made an investment of 29.44% in Park Lane, a building focused on serving growing needs for serviced apartments catering to higher-end local demand as well as expatriates looking for conveniently located, higher-end housing.

2. Financial Review

Liquidity and financing

The Remaining Group's cash and cash equivalents were approximately HK$353 million as at 31 March 2015 as compared to HK$ 371 million as at 31 March 2014, of which about 4% were in US dollar, about 26% were in RMB, about 70% were in HK dollar. As at 31 March 2015, the Remaining Group's total borrowings amounted to approximately HK$883 million of which 100% were interest bearing borrowings, as compared to the total borrowing of approximately HK$1,010 million as at 31 March 2014. All of the Remaining Group's borrowings as at 31 March 2015 in the amount of HK$883 million was repayable within one year. As at 31 March 2015, the Remaining Group's net interest bearing borrowings, after deducting pledged bank deposits of approximately HK$26 million (31 March 2014: HK$26 million) and cash and bank deposits of approximately HK$353 million (31 March 2014: HK$371 million), amounted to approximately HK$504 million (31 March 2014: HK$613 million). Gearing ratio of the Remaining Group as at 31 March 2015, calculated on the basis of net interest bearing borrowings to total capital which is capital and reserves attributable to equity holders plus net interest bearing borrowings decreased from 62% to 50% and current ratio was increased from 1.04 times to 1.21 times as compared to 31 March 2014.

As at 31 March 2015, about 22% of the Remaining Group's interest-bearing borrowings were denominated in HK dollar, about 68% in US dollar and about 10% in RMB. All of the Remaining Group's borrowings as at 31 March 2015 were on floating rate basis.

The Remaining Group took effort to maintain these financial ratios at current level, after taking into consideration of the current market situation and risk assessment on overall exposure against industry norm. The Remaining Group's business operations were generally financed by cash generated from its business activities and bank facilities provided by its banks.

All of the Remaining Group's financing and treasury activities are centrally managed and be controlled at the corporate level. The Remaining Group's overall treasury and funding policies focus on managing financial risks, including interest rate and foreign exchange risks, and on cost efficient funding of the Remaining Group and its group companies. The Remaining Group has always adhered to prudent financial management principles.

Charges on Assets

As at 31 March 2015, the Remaining Group had certain charges on assets which included bank deposits of approximately HK$26 million which were pledged as collateral for the Remaining Group's bank borrowings and banking facilities.

Exposure to fluctuations in exchange rates and related hedges

The Remaining Group's businesses are primarily transacted in HK dollar, US dollar and RMB. As exchange rate between HK dollar and US dollar is pegged, the Remaining Group believes its exposure to exchange rate risk arising from HK dollar and US dollar is not material. Facing the volatility of RMB, the Remaining Group would continue to match RMB payments with RMB receipts to minimize the exchange exposure.

Forward foreign exchange contracts would be entered into when suitable opportunities arise and when the management of the Remaining Group consider appropriate, to hedge against major non-HK dollar currency exposures. As at 31 March 2015, the Remaining Group had no forward foreign exchange contracts to hedge principal repayment of future US dollar debts under letters of credit. The use of derivative financial instruments is strictly controlled and mainly used to hedge against the foreign currency exchange rate exposures in connection with the borrowings. It is the Remaining Group's policy not to enter into derivative transactions for speculative purposes.

Contingent liabilities

As at 31 March 2015, the Remaining Group's had no material contingent liability.

Significant investments, material acquisitions and disposals

Save as disclosed above, the Remaining Group did not have any significant investments, material acquisition and disposals during the year ended 31 March 2015.

Future plans for material investments and acquisition of capital assets

Save as disclosed above, the Remaining Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 March 2015.

Human capital

As at 31 March 2015, the Remaining Group employed 361 staff members. Salaries and annual bonuses are determined according to positions and performance of the employees. The Remaining Group provides on-the-job training and training subsidy to its employees in addition to retirement benefit schemes and medical insurance. The Remaining Group's total staff costs including contribution to retirement benefit schemes incurred during the year amounted to approximately HK$115 million. During the year, options to subscribe for 11,900,000 ordinary shares have been granted to the Directors and employees of the Remaining Group under the share option scheme of the Company adopted on 11th August 2011.

For the year ended 31 March 2014

1. Business Review

The Remaining Group has made significant changes to its business model and eliminated or restructured non-performing businesses during the year ended 31 March 2014, with one-time impairment provisions on such businesses totalling approximately HK$63 million. The Remaining Group simplified its organization and determined that it would remain in business lines where it had relevance, expertise and competitive strength.

Construction materials business and engineering plastics business

The Remaining Group brought together its steel and engineering plastics distribution business, which allows for synergies in steel procurement, logistics and supply chain management. The Remaining Group would be able to share resources across businesses and reduce expenses in the process. In May 2014, all China distribution businesses co-located from separate offices in Shanghai to the PRC Property. Having its teams under the same roof would allow the Remaining Group to take advantage of its combined expertise while sharing corporate resources, minimizing risk through better controls and reducing expenses. The Remaining Group's steel procurement consolidation and geographic expansion strategies were managed from Shanghai.

The Remaining Group's steel and engineering plastics distribution business delivered 4% improvement in net profit and 3% sales growth year over year. The Remaining Group's steel distribution business (VSC Steel Company Limited and Bao Shun Chang) delivered excellent results. Tons sold grew by 14% while net profit increased by 6% year over year. Supported by a strong construction market in Hong Kong and a growing automotive industry in Mainland China, the Remaining Group was able to deliver improvements in spite of a decrease in steel prices in the second half of the year. Hong Kong Steel, which sells to Hong Kong and Macau's construction industries delivered significant volume growth in the infrastructure segment and was able to grow reinforcement bar tons by 31% while other tons of products like piling and carbon structurals grew by 35%.

The Remaining Group's engineering plastics distribution business struggled in the last half of the year and while it delivered a profit, the Remaining Group was not able to deliver on its plan. While gross profit margin increased by almost 50 basis points, lower sales and bad debt write-offs, related to a customer that went into administration by local government, caused net profit to decrease. Its sales in Hong Kong and Shenzhen, which made up 57% of total sales during the last fiscal year, decreased to 41% for the year as many exporters reduced their purchases. The Remaining Group continued to make great strides in expanding its geographic presence into Mainland China. The Remaining Group's newly opened office in Xiamen managed to increase sales by 72%, while its Eastern China sales offices (Shanghai, Ningbo and Suzhou) delivered over 8% sales growth during the year.

Building and design solutions business

The Remaining Group's BDS sales were fairly flat in total but grew by 4% excluding Shenzhen operation, which was closed in 2013. The Remaining Group generated a loss of approximately HK$3 million for the year primarily caused by restructuring expenses in Changsha, Wuhan and the closing of Shenzhen operation. One-time expenses related to the opening of the two A&D Centres in Hong Kong and closing of showrooms also contributed to the loss. Restructuring of Changsha and Wuhan BDS was necessary as both of these businesses were recent acquisitions and business models were not well-aligned with the markets currently served. Restructuring included headcount reduction and stores closing. The Remaining Group's brand partner, TOTO, and dealer partners were very supportive of restructuring and total sales were not affected. The restructuring has delivered on objectives the Remaining Group set and trends show that both Changsha and Wuhan BDS would deliver on profit and growth commitments for the financial year ending 31 March 2015. Changsha and Wuhan BDS have exclusive distribution rights in Hunan and Hubei respectively. New structure and organization allow the Remaining Group to use its growing dealer network to boost its sales on a province wide scale.

New A&D Centres in Hong Kong are expected to facilitate retail and project sales growth on the back of a strong construction market. Trends in both retail and projects are showing top line and bottom line improvement.

Property business

While investments in projects since the Remaining Group entered the property sector have been minority investments, the Remaining Group has always been the operator. Being the operator of properties in Dalian and Shanghai, it allowed the Remaining Group to gain significant insight and experience. The sale of the Point Jingan in the fourth quarter of the year, delivered relevant experience and great shareholder value. The Remaining Group planned to use the experience gained in the upgrade and disposal processes of its assets in its future investments in other properties in Shanghai and to review other opportunities for investment.

2. Financial Review

Liquidity and financing

The Remaining Group's cash and cash equivalents were approximately HK$371 million as at 31 March 2014 of which about 4% were in US dollar, about 40% were in RMB, about 56% were in HK dollar. As at 31 March 2014, the Remaining Group's total borrowings amounted to approximately HK$1,010 million of which 100% were interest bearing borrowings. Out of the Remaining Group's borrowings as at 31 March 2014, HK$1,009 million was repayable within one year and HK$1 million was repayable in the second year. Net interest-bearing borrowings of the Remaining Group, after deducting pledged bank deposits of approximately HK$26 million and cash and bank deposits of approximately HK$371 million, amounted to approximately HK$613 million. Gearing ratio of the Remaining Group as at 31 March 2014, calculated on the basis of net interest-bearing borrowings to total capital which is capital and reserves attributable to equity holders plus net interest-bearing borrowings increased from 3% as at 31 March 2013 to 62% 31 March 2014 and current ratio was decreased from 1.47 times to 1.04 times as compared to 31 March 2013.

As at 31 March 2014, about 57% of the Remaining Group's interest-bearing borrowings were denominated in HK dollar, about 32% in US dollar and about 11% in RMB. All of the Remaining Group's borrowings as at 31 March 2014 were on floating rate basis.

The Remaining Group took effort to maintain these financial ratios at current level, after taking into consideration of the current market situation and risk assessment on overall exposure against industry norm. The Remaining Group's business operations were generally financed by cash generated from its business activities and bank facilities provided by its banks.

All of the Remaining Group's financing and treasury activities are centrally managed and be controlled at the corporate level. The Remaining Group's overall treasury and funding policies focus on managing financial risks, including interest rate and foreign exchange risks, and on cost efficient funding of the Remaining Group and its group companies. The Remaining Group has always adhered to prudent financial management principles.

Charges on Assets

As at 31 March 2014, the Remaining Group had certain charges on assets which included (i) bank deposits of approximately HK$26 million which were pledged as collateral for the Remaining Group's banking facilities; and (ii) investment properties of approximately HK$22 million were pledged as collaterals for certain of the Remaining Group's bank borrowings.

Exposure to fluctuations in exchange rates and related hedges

The Remaining Group's businesses are primarily transacted in HK dollar, US dollar and RMB. As exchange rate between HK dollar and the US dollar is pegged, the Remaining Group believes its exposure to exchange rate risk arising from US dollar is not material. Facing the volatility of RMB, the Remaining Group will continue to match RMB payments with RMB receipts to minimize the exchange exposure.

Forward foreign exchange contracts would be entered into when suitable opportunities arise and when the management of the Remaining Group consider appropriate, to hedge against major non-HK dollar currency exposures. As at 31 March 2014, the Remaining Group had forward foreign exchange contracts to hedge principal repayment of future US dollar debts under letters of credit in the amount of approximately RMB117 million. The use of derivative financial instruments is strictly controlled and mainly used to hedge against the foreign currency exchange rate exposures in connection with the borrowings. It is the Remaining Group's policy not to enter into derivative transactions for speculative purposes.

Contingent liabilities

As at 31 March 2014, the Remaining Group's had no material contingent liability.

Significant investments, material acquisitions and disposals

Save for the disclosed above, the Remaining Group did not have any significant investments, material acquisition and disposals during the year ended 31 March 2014.

Future plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 March 2014.

Human capital

As at 31 March 2014, the Remaining Group employed 327 staff. The Company is focusing on building an elite team to help lead the Company to future success. During the year, options to subscribe for 8,700,000 ordinary shares have been offered and granted to the Directors and employees of the Remaining Group under the share option scheme of the Company adopted on 11 August 2011.

(A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information of the Remaining Group (the "Unaudited Pro Forma Financial Information") presented below is prepared to illustrate (a) the financial position of the Remaining Group as at 30 September 2016 as if the Disposal had been completed on 30 September 2016; and (b) the results and cash flows of the Remaining Group for the year ended 31 March 2016 as if the Disposal had been completed on 1 April 2015. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 30 September 2016 or at any future date had the Disposal been completed on 30 September 2016 or the results and cash flows of the Remaining Group for the year ended 31 March 2016 or for any future period had the Disposal been completed on 1 April 2015.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016 which has been extracted from the interim report of the Company for the six months ended 30 September 2016.

The unaudited pro forma consolidated income statement and statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated income statement and statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2016 as extracted from the annual report of the Company for the year ended 31 March 2016.

The Unaudited Pro Forma Financial Information is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

1. Unaudited pro forma consolidated statement of financial position of the Remaining Group

As at 30 September 2016

	Unaudited consolidated statement of financial position of the Group as at 30 September 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Property, plant and equipment	196,960	(12,927)	(15)		184,018
Investment properties	2,482,213	69,720	(1,343,453)		1,208,480
Land use rights	42,670	(33,051)			9,619
Intangible assets	62,618			(62,618)	—
Investment in joint ventures	60,577				60,577
Prepayments, deposits and other receivables	26,291		(5,985)		20,306
Loan to a joint venture	11,634				11,634
Deferred income tax assets	12,982				12,982
Available-for-sale financial asset	602				602
	2,896,547				1,508,218

As at 30 September 2016

	Unaudited consolidated statement of financial position of the Group as at 30 September 2016	**Pro forma adjustments**			**Unaudited pro forma consolidated statement of financial position of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current assets					
Inventories	203,629				203,629
Trade and bill receivables	527,003				527,003
Prepayments, deposits and other receivables	161,926		(36,427)		125,499
Amounts due from the Remaining Group	—		(172,400)	172,400	—
Financial assets at fair value through profit or loss	15,500				15,500
Amount due from an associate	4,648				4,648
Amount due from joint ventures	18,970				18,970
Pledged bank deposits	77,145		—		77,145
Cash and cash equivalents	224,100		(6,632)	559,666	777,134
	1,232,921				1,749,528
Total assets	4,129,468				3,257,746

As at 30 September 2016

	Unaudited consolidated statement of financial position of the Group as at 30 September 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Equity					
Share capital	64,188				64,188
Reserves	988,312	21,569		159,819	1,169,700
Equity attributable to owner of the Company	1,052,500				1,233,888
Non-controlling interests	919				919
Total equity	1,053,419				1,234,807
Non-current liabilities					
Accrued liabilities and other payables	16,653		(15,820)		833
Deferred income tax liabilities	253,546	2,173	(194,324)		61,395
Borrowings	1,579,892		(761,947)		817,945
	1,850,091				880,173

As at 30 September 2016

	Unaudited consolidated statement of financial position of the Group as at 30 September 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current liabilities					
Trade and bill payables	169,008				169,008
Receipts in advance	49,769		(6,270)		43,499
Accrued liabilities and other payables	86,473		(14,540)		71,933
Financial liability at fair value through profit or loss	11				11
Amounts due to the Remaining Group	—		(357)	357	—
Current income tax liabilities	20,603		(4,917)		15,686
Borrowings	900,094		(57,465)		842,629
	1,225,958				1,142,766
Total equity and liabilities	4,129,468				3,257,746

2. Unaudited pro forma consolidated income statement and statement of comprehensive income of the Remaining Group

For the year ended 31 March 2016

	Audited consolidated income statement of the Group for the year ended 31 March 2016	Pro forma adjustments			Adjusted unaudited pro forma consolidated income statement of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	
Revenue	3,380,161	(50,374)	2,692		3,332,479
Cost of sales	(2,964,591)				(2,964,591)
Gross profit	415,570				367,888
Selling and distribution expenses	(78,624)	1,574			(77,050)
General and administrative expenses	(302,866)	10,963	100		(291,803)
Other (losses)/gains — net	(21,059)	35,001		312,352	326,294
Fair value gain on investment property	199,514	(206,165)	6,651		—
Operating profit	212,535				325,329
Finance income	2,065	(95)			1,970
Finance cost	(65,404)	33,846			(31,558)
Share of results of associates — net	(7,364)				(7,364)
Share of results of joint ventures — net	4,437				4,437
Profit before income tax	146,269				292,814

For the year ended 31 March 2016

	Audited consolidated income statement of the Group for the year ended 31 March 2016	Pro forma adjustments			Adjusted unaudited pro forma consolidated income statement of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	
Income tax expense	(75,005)	57,109	(1,663)	(73,415)	(92,974)
Profit for the year	71,264				199,840
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Change in fair value of available-for-sale financial asset	(99)				(99)
Currency translation differences	(43,438)	28,368			(15,070)
Total comprehensive income for the year	27,727				184,671

For the year ended 31 March 2016

	Audited consolidated income statement of the Group for the year ended 31 March 2016	Pro forma adjustments			Adjusted unaudited pro forma consolidated income statement of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	
Profit for the year attributable to:					
Owners of the Company	70,105	(118,141)	7,780	238,937	198,681
Non-controlling interests	1,159				1,159
	71,264				199,840
Total comprehensive income for the year attributable to:					
Owners of the Company	26,568	(89,773)	7,780	238,937	183,512
Non-controlling interests	1,159				1,159
	27,727				184,671

3. Unaudited pro forma consolidated statement of cash flows of the Remaining Group

For the year ended 31 March 2016

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016	Pro forma adjustments			Adjusted unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	
Cash flows from operating activities					
Net cash generated from operations	256,359	(33,029)	(2,692)		220,638
Interest received	2,065	(95)			1,970
Interest paid	(60,364)	28,902			(31,462)
Hong Kong profits tax paid	(15,718)				(15,718)
China corporate income tax paid	(6,707)	4,138			(2,569)
Net cash generated from operating activities	175,635				172,859

For the year ended 31 March 2016

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016	Pro forma adjustments			Adjusted unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	
Cash flows from investing activities					
Purchase of property, plant and equipment	(149,245)	4			(149,241)
Proceeds from disposal of property, plant and equipment	598				598
Deposit paid for acquisition of an investment property	(259,231)				(259,231)
Capital expenditure for an investment property	(28,710)	28,710			—
Investment in a joint venture	(19,500)				(19,500)
Purchase of available-for-sale financial asset	(128)				(128)
Net purchase of financial assets at fair value through profit or loss	(4,670)				(4,670)
Net cash inflow upon the Disposal	—			795,514	795,514
Net cash (outflow)/ inflow from investing activities	(460,886)				363,342

For the year ended 31 March 2016

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016	Pro forma adjustments			Adjusted unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	
Cash flows from financing activities					
Proceeds from bank loans	964,069	(251,032)			713,037
Repayment of bank loans	(358,112)				(358,112)
Net decrease in trust receipt bank loans	(62,731)	19,194			(43,537)
Increase in pledged bank deposits	(20,290)				(20,290)
Dividend paid to equity holders of the Company	(43,563)				(43,563)
Exercise of share options	3,379				3,379
Net cash inflow from financing activities	482,752				250,914
Net increase in cash and cash equivalents	197,501				787,115
Cash and cash equivalents, at beginning of year	354,997				354,997
Currency translation differences	(6,237)				(6,237)
Cash and cash equivalents, at end of year	546,261				1,135,875

4. Notes to the unaudited pro forma financial information of the Remaining Group

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as set forth in the published interim report of the Company for the six months ended 30 September 2016.

2. The Group occupied certain units of the investment property (the "PRC Property") held by Eastlink International Investment Inc. (the "Disposal Company") and its subsidiaries (together the "Disposal Group"). The adjustments are to align the difference of classification of the portion of the PRC Property occupied by the Group (the "Owner-occupied Portion") between the financial statements of the Group and the financial statements of the Disposal Group. In the financial statements of the Group, the Owner-occupied Portion is classified as property, plant and equipment and land use rights, stated at historical cost less accumulated depreciation, whilst in the financial statements of the Disposal Group, the Owner-occupied Portion is classified as investment properties, stated at fair value.

   This results in the reclassification from property, plant and equipment of HK$12,927,000 and land use rights of HK$33,051,000 to investment property of HK$69,720,000, the corresponding deferred income tax liabilities on the fair value gains of HK$2,173,000 and the cumulative retained earnings and translation reserves of HK$21,569,000.

3. The adjustments represent the de-recognition of assets and liabilities of the Disposal Group as at 30 September 2016, except for cash and cash equivalents of the Disposal Company to be retained by the Remaining Group of HK$35,377,000, assuming the Disposal had taken place on 30 September 2016. The assets and liabilities of the Disposal Group are extracted from the unaudited condensed consolidated statement of financial position of the Disposal Group as set forth in Appendix II to this Circular.

4. The adjustments reflect the gain on disposal as if the Disposal has been completed on 30 September 2016.

	HK$'000
Estimated cash consideration to be received by the Group	
Consideration (equivalent to RMB1,371,951,924)	1,542,074
Less: Outstanding bank borrowings of the Disposal Group to be settled by the Purchaser *(Note i)*	(834,465)
Add: Adjustment to the consideration *(Note ii)*	9,107
	716,716
Estimated gain on disposal	
Estimated cash consideration to be received by the Group	716,716
Less: Net assets of the Disposal Group as at 30 September 2016 *(Note iii)*	(549,695)
Add: Net amounts due from the Remaining Group as at 30 September 2016 *(Note iv)*	172,043
Add: Cash and cash equivalents of the Disposal Company as at 30 September 2016 to be retained by the Remaining Group pursuant to the S&P Agreement (i.e. the difference between the cash and cash equivalents of the Disposal Group of approximately HK$42,009,000 and the cash and cash equivalents of the subsidiary of the Disposal Company of approximately HK$6,632,000)	35,377
Add: Rental receivables pursuant to the S&P Agreement not taken up by the Purchaser	5,046
Less: Goodwill and intangible assets attributable to the Disposal Group as at 30 September 2016	(62,618)
Less: Release of exchange reserve attributable to the Disposal Group as at 30 September 2016	(53,641)
Less: Estimated transaction costs directly attributable to the Disposal *(Note vi)*	(83,635)
Estimated gain on disposal before tax	179,593
Less: Capital gain tax on the Disposal *(Note v)*	(73,415)
Estimated gain on disposal, net of tax	**106,178**

Notes:

(i) Pursuant to the S&P Agreement, at Completion, the Purchaser shall procure the payments of the outstanding banking facilities of the Disposal Group to the bank amounting to approximately HK$834,465,000, as part of the consideration.

(ii) The adjustment to the consideration of HK$9,107,000 was computed at the difference between the Estimated NAV of HK$707,609,000 (equivalent to RMB630,864,180) and the Completion NAV, as if the Disposal has been completed on 30 September 2016, pursuant to the S&P Agreement

	HK$'000
Estimated NAV, pursuant to the S&P Agreement (equivalent to RMB630,864,180)	**707,609**
Completion NAV, pursuant to the S&P Agreement	
Net assets of the Disposal Group as at 30 September 2016	549,695
Adjustments stated in the Net Asset Value Statement of the S&P Agreement:	
Add: investment property valued at RMB1,360,000,000	1,528,616
Less: investment property (stated at fair value) as at 30 September 2016	(1,343,453)
Add: deferred income tax liabilities as at 30 September 2016	194,324
Less: net amount due from the Remaining Group as at 30 September 2016	(172,043)
Less: cash and cash equivalents of the Disposal Company as at 30 September 2016 to be retained by the Remaining Group pursuant to the S&P Agreement (i.e. the difference between the cash and cash equivalents of the Disposal Group of approximately HK$42,009,000 and the cash and cash equivalents of the subsidiary of the Disposal Company of approximately HK$6,632,000)	(35,377)
Less: rental receivables pursuant to the S&P Agreement not taken up by the Purchaser	(5,046)
Completion NAV pursuant to the S&P Agreement, as if the Disposal has been completed on 30 September 2016	**716,716**
Adjustment to consideration (equivalent to difference between Estimated NAV and Completion NAV)	**9,107**

(iii) The amount represents the net assets of the Disposal Group as at 30 September 2016 as extracted from the unaudited condensed consolidated statement of financial position of the Disposal Group as set forth in Appendix II to this Circular.

(iv) As part of the completion conditions pursuant to the S&P Agreement, the balances between the Remaining Group and the Disposal Group shall be excluded from the transaction.

(v) The capital gain tax represents the tax levied by China tax bureau on the gain on disposal.

(vi) The amount represents the estimated transaction costs for the Disposal, including but not limited to legal and professional fees and other incidental costs, arising from the Disposal estimated by Management.

5. Apart from Notes 2, 3 and 4 above, no other adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 September 2016. The final gain or loss on the Disposal may be different from the amount described above. The finalised amount would be subject to the carrying amount of the assets and liabilities of the Disposal Group on the date of completion of the Disposal.

6. The amounts are extracted from the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows for the year ended 31 March 2016 as set forth in the published annual report of the Company for the year ended 31 March 2016.

7. The adjustments represent the exclusion of the results and cash flows of the Disposal Group for the year ended 31 March 2016, as if the Disposal had taken place on 1 April 2015. The results and cash flows of the Disposal Group are extracted from the unaudited condensed consolidated statement of comprehensive income and unaudited condensed consolidated statement of cash flows of the Disposal Group as set forth in Appendix II to this Circular.

8. These adjustments represent:

   (i) consolidation adjustments on depreciation and amortisation of HK$2,792,000 in relation to the reclassification of Owner-occupied Portion from property, plant and equipment and land use rights to investment properties (Note 2);

   (ii) the elimination of intra-group transaction in relation to the rental income received by the Disposal Group and rental expenses of the Group of HK$2,692,000; and

   (iii) consolidation adjustments on the fair value gain of the Owner-occupied Portion of the property of HK$6,651,000 and the respective deferred income tax liabilities of HK$1,663,000.

The adjustment to the net cash generated from operations in the unaudited pro forma consolidated statement of cash flows amounting to HK$2,692,000 represent the consolidation adjustments in relation to the elimination of intra-group transaction in relation to the rental income received by the Disposal Group and rental expenses of the Group.

9. The adjustments reflects the gain on disposal as if the Disposal has been completed on 1 April 2015.

	HK$'000
Estimated cash consideration to be received by the Group	
Consideration	1,542,074
Less: Outstanding bank borrowings of the Disposal Group to be settled by the Purchaser *(Note 4(i))*	(834,465)
Adjustment to the consideration *(Note i)*	244,955
	952,564
Estimated gain on disposal	
Estimated cash consideration to be received by the Group	952,564
Less: Net assets of the Disposal Group as at 1 April 2015 *(Note ii)*	(505,411)
Add: Net amounts due from the Remaining Group as at 1 April 2015 *(Note 4(iv))*	5,964
Add: Cash and cash equivalents of the Disposal Company as at 1 April 2015 to be retained by the Remaining Group pursuant to the S&P Agreement (i.e. the difference between the cash and cash equivalents of the Disposal Group of approximately HK$14,785,000 and the cash and cash equivalents of the subsidiary of the Disposal Company of approximately HK$12,000)	14,773
Add: Rental receivables pursuant to the S&P Agreement not taken up by the Purchaser	5,046
Less: Goodwill and intangible assets attributable to the Disposal Group as at 1 April 2015	(68,951)
Less: Release of exchange reserve attributable to the Disposal Group as at 1 April 2015	(7,998)
Less: Estimated transaction costs directly attributable to the Disposal *(Note 4(vi))*	(83,635)
Estimated gain on disposal before tax	312,352
Less: Capital gain tax on the Disposal *(Note 4(v))*	(73,415)
Estimated gain on disposal, net of tax	238,937

Notes:

(i) The adjustment to the consideration of HK$244,955,000 was computed pursuant to the S&P Agreement and was arrived at the difference between the Estimated NAV and the Completion NAV, as if the Disposal has been completed on 1 April 2015.

		HK$'000
Estimated NAV, pursuant to the S&P Agreement (equivalent to RMB630,864,180)		**707,609**
Completion NAV, pursuant to the S&P Agreement		
Net assets of the Disposal Group as at 1 April 2015		505,411
Adjustments stated in the Net Asset Value Statement set forth in the S&P Agreement:		
Add:	investment property valued at RMB1,360,000,000	1,528,616
Less:	investment property as at 1 April 2015	(1,213,535)
Add:	deferred income tax liabilities as at 1 April 2015	157,855
Less:	net amounts due from the Remaining Group as at 1 April 2015	(5,964)
Less:	cash and cash equivalents of the Disposal Company as at 1 April 2015 to be retained by the Remaining Group pursuant to the S&P Agreement (i.e. the difference between the cash and cash equivalents of the Disposal Group of approximately HK$14,785,000 and the cash and cash equivalents of the subsidiary of the Disposal Company of approximately HK$12,000)	(14,773)
Less:	rental receivables pursuant to the S&P Agreement not taken up by the Purchaser	(5,046)
Completion NAV pursuant to the S&P Agreement, as if the Disposal has been completed on 1 April 2015		**952,564**
Adjustment to consideration (equivalent to difference between Estimated NAV and Completion NAV)		**244,955**

(ii) The amount represents the net assets of the Disposal Group as at 1 April 2015 as extracted from the unaudited condensed consolidated statement of financial position of the Disposal Group as set forth in Appendix II to this Circular.

10. Apart from Notes 8 and 9 above, no other adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 1 April 2015. The final gain or loss on the Disposal may be different from the amount described above. The finalised amount would be subject to the carrying amount of the assets and liabilities of the Disposal Group on the date of completion of the Disposal.

11. The translation of RMB into HK$ in this Unaudited Pro Forma Financial Information was made at a rate of RMB1 to HK$1.126.

12. The above adjustments as described under adjustment 8 and 9 are not expected to have a continuing effect on the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

TO THE DIRECTORS OF HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hong Kong Shanghai Alliance Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") excluding Eastlink International Investment Inc. and its subsidiaries (the "Disposal Group") (collectively the "Remaining Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 September 2016, the unaudited pro forma statement of comprehensive income for the year ended 31 March 2016, the pro forma cash flow statement for the year ended 31 March 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 67 to 84 of the Company's circular dated 28 February 2017, in connection with the proposed disposal of the Disposal Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 67 to 84.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 September 2016 and the Group's financial performance and cash flows for the year ended 31 March 2016 as if the Transaction had taken place at 30 September 2016 and 1 April 2015 respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's interim report for the six months ended 30 September 2016, on which no audit or review report has been published, and the Group's financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 March 2016, on which an audit report has been published.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 September 2016 for the Group's financial position and 1 April 2015 for the Group's financial performance and cash flows would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 February 2017

The following is the text of the letter and the valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose of incorporation in this circular, in connection with its opinion of market value in existing state of the PRC Property as at 31 December 2016.

The Directors
Hong Kong Shanghai Alliance Holdings Limited
Rooms 1103-05, 11th Floor
East Town Building
41 Lockhart Road
Wanchai, Hong Kong

28 February 2017

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Dear Sirs

Central Park, Nos. 828, 846 and 868 Changshou Road, Putuo District, Shanghai, The People's Republic of China

In accordance with your instructions for us to value the property interest to be disposed by Hong Kong Shanghai Alliance Holdings Limited (the "Company") through VSC China Property Limited and its subsidiaries (together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2016 for the purpose of incorporation into the circular issued by the Company.

Basis of Valuation

Our valuation is our opinion of the market value of the property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Valuation Methodology

We have valued the property by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net rental shown on the documents handed to us. We have allowed for outgoings, and, in appropriate cases, made provisions for reversionary income potential.

Title Documents and Encumbrances

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify the ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company and its PRC legal adviser, Zhong Lun Law Firm Shanghai Office, regarding the title to the property.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property interest nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, title defects and outgoings of an onerous nature which could affect its value.

Source of Information

We have relied to a very considerable extent on the information given by the Company and the legal opinion regarding the title to the property from the PRC legal adviser of the Company. We have no reason to doubt the truth and the accuracy of the information provided by the Company and/or the PRC legal adviser of the Company which is material to the valuation. We have accepted advice given by the Company on such matters as identification of the property, planning approvals or statutory notices, easements, tenure, site and floor areas. Dimension, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by the Company that no material facts have been omitted from the information provided.

Inspection and Structural Condition

We have inspected the exterior and, where possible, the interior of the property valued and the inspection was carried out by Tsui Yik (MRICS), our Director, in January 2017. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Remarks

In preparing our valuation report, we have complied with "The HKIS Valuation Standards (2012 Edition)" published by the Hong Kong Institute of Surveyors and the requirements contained in the relevant provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Currency

Unless otherwise stated, all money amounts stated are in Renminbi.

We enclose herewith our valuation certificate.

Yours faithfully

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*
RICS Registered Valuer
Executive Director, Head of China Valuation
For and on behalf of **Knight Frank Petty Limited**

Note:

Clement W M Leung, MFin, MCIREA, MHKIS, MRICS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has about 23 years' experience in the valuation of properties in Hong Kong, Macau and Asia Pacific Region and has 20 years' experience in valuation of properties in the People's Republic of China.

VALUATION CERTIFICATE

Property held by the Group for investment

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 31 December 2016</th></tr>
<tr>
<td>Central Park
Nos. 828, 846 and 868 Changshou Road
Putuo District
Shanghai
The People's Republic of China</td>
<td>The property is a 24-storey office tower erected on a 3-storey retail podium with a total gross floor area (GFA) of approximately 31,697.17 sq. m.. It is completed in 2006 and renovated in September 2015. The site area of the property is approximately 24,819.00 sq. m. (267,152 sq ft).

The approximate GFA of the property is listed as follows:

<table>
<tr><th>Use</th><th>Approximate GFA (sq. m.)</th></tr>
<tr><td>Retail</td><td>4,864.83</td></tr>
<tr><td>Office</td><td>26,832.34</td></tr>
<tr><td>Total:</td><td>31,697.17</td></tr>
</table>

The land use rights of the property have been granted for terms commencing on 3 September 2001 and expiring on 2 September 2041 (for Level 1 to Level 3) and 2 September 2051 (for remaining portion) respectively for composite (residential, office and retail) use.</td>
<td>As at the valuation date, portion of the retail area of the property with a total gross floor area of approximately 3,991.68 sq. m. was subject to various tenancies, yielding a total monthly rental of approximately RMB880,000 with the last term expiring in December 2023 whilst portion of the office area of the property with a total gross floor area of approximately 24,021.84 sq. m. was subject to various tenancies with the last term expiring in March 2022, yielding a total monthly rental of approximately RMB3,870,000, exclusive of management fees, charges and value-added taxes.

Portion of the office area of the property with a total gross floor area of approximately 1,221.67 sq. m. was owner-occupied.

The remaining portions of the property were vacant.</td>
<td>RMB1,360,000,000
(RENMINBI ONE BILLION AND THREE HUNDRED SIXTY MILLION ONLY)</td>
</tr>
</table>

Notes:

1. Pursuant to 25 Real Estate Ownership Certificates all issued by Shanghai Housing and Land Resources Administrative Bureau and dated 13 December 2007, the title to the property with a total GFA of 31,697.17 sq. m. was vested in Eastlink International Investment Inc. Details of the Real Estate Ownership Certificates are as follows:

Certificate Nos	Land Use	Expiry Date	Gross Floor Area *(sq. m.)*	Portion	Building Use
Hu Fang Di Pu Zi (2007) Di 037052	Composite use	2 September 2041	4,864.83	L1-L3	Retail
Hu Fang Di Pu Zi (2007) Di 037054	Composite use	2 September 2051	934.64	402	Office
Hu Fang Di Pu Zi (2007) Di 037120	Composite use	2 September 2051	1,159.92	L5	Office
Hu Fang Di Pu Zi (2007) Di 037136	Composite use	2 September 2051	1,159.92	L6	Office
Hu Fang Di Pu Zi (2007) Di 037125	Composite use	2 September 2051	1,159.92	L7	Office
Hu Fang Di Pu Zi (2007) Di 037127	Composite use	2 September 2051	1,159.92	L8	Office
Hu Fang Di Pu Zi (2007) Di 037123	Composite use	2 September 2051	1,159.92	L9	Office
Hu Fang Di Pu Zi (2007) Di 037121	Composite use	2 September 2051	1,159.92	L10	Office
Hu Fang Di Pu Zi (2007) Di 037042	Composite use	2 September 2051	1,159.92	L11	Office
Hu Fang Di Pu Zi (2007) Di 037046	Composite use	2 September 2051	1,159.92	L12	Office
Hu Fang Di Pu Zi (2007) Di 037138	Composite use	2 September 2051	1,159.92	L13	Office
Hu Fang Di Pu Zi (2007) Di 037139	Composite use	2 September 2051	1,159.92	L14	Office
Hu Fang Di Pu Zi (2007) Di 037140	Composite use	2 September 2051	1,159.92	L15	Office
Hu Fang Di Pu Zi (2007) Di 037141	Composite use	2 September 2051	1,159.92	L16	Office
Hu Fang Di Pu Zi (2007) Di 037142	Composite use	2 September 2051	1,099.51	L17	Office
Hu Fang Di Pu Zi (2007) Di 037128	Composite use	2 September 2051	1,099.51	L18	Office
Hu Fang Di Pu Zi (2007) Di 037130	Composite use	2 September 2051	1,099.51	L19	Office
Hu Fang Di Pu Zi (2007) Di 037132	Composite use	2 September 2051	1,099.51	L20	Office
Hu Fang Di Pu Zi (2007) Di 037133	Composite use	2 September 2051	1,099.51	L21	Office
Hu Fang Di Pu Zi (2007) Di 037135	Composite use	2 September 2051	1,099.51	L22	Office
Hu Fang Di Pu Zi (2007) Di 037051	Composite use	2 September 2051	1,076.32	L23	Office
Hu Fang Di Pu Zi (2007) Di 037049	Composite use	2 September 2051	1,076.32	L24	Office
Hu Fang Di Pu Zi (2007) Di 036967	Composite use	2 September 2051	1,076.32	L25	Office
Hu Fang Di Pu Zi (2007) Di 036965	Composite use	2 September 2051	1,076.32	L26	Office
Hu Fang Di Pu Zi (2007) Di 036966	Composite use	2 September 2051	1,076.32	L27	Office

2. We have been provided with a legal opinion on the property issued by the Company's PRC legal adviser on 23 January 2017, which contains, inter alia, the following:

(i) as the date of 18 January 2017, Eastlink International Investment Inc. legally owns the land use rights and building ownership rights of the retail portion and office portion of the property as stated in the 25 Real Estate Ownership Certificates as mentioned in Note 1, and subject to the applicable PRC laws and the existing mortgage registered theron, is entitled to occupy and use the said portion of the property and to dispose of the building ownership rights of the said portion of the property and its corresponding land use rights; and

(ii) as the date of 18 January 2017, the property is subject to mortgages.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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 (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to the entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and options of the Company

Name of Directors	Capacity	Attributable interest to the Directors	Number of Shares	Approximate percentage	Number of share options	Aggregate interest
Mr. Yao Cho Fai Andrew	Interest of controlled corporation, Perfect Capital International Corp. *(Note a)*	Deemed interest (indirectly)	89,337,806	13.92%	—	89,337,806
	Interest of controlled corporation, Huge Top Industrial Ltd. *(Note b)*	Deemed interest (indirectly)	190,424,000	29.67%	—	190,424,000
	Beneficial owner	100% (directly)	3,918,000	0.61%	—	3,918,000
			283,679,806	44.20%	—	283,679,806
Ms. Luk Pui Yin Grace	Beneficial owner	100% (directly)	—	—	4,493,244 *(Note c)*	4,493,244

Name of Directors	Capacity	Attributable interest to the Directors	Number of Shares	Approximate percentage	Number of share options	Aggregate interest
Mr. Lau Chi Chiu	Beneficial owner	100% (directly)	—	—	2,246,622 *(Note d)*	2,246,622
Mr. Dong Sai Ming Fernando	Beneficial owner	100% (directly)	213,000	0.03%	—	213,000
Mr. Tam King Ching Kenny	Beneficial owner	100% (directly)	—	—	1,246,622 *(Note e)*	1,246,622
Mr. Xu Lin Bao	Beneficial owner	100% (directly)	5,246,622	0.82%	—	5,246,622
Mr. Tse Lung Wa Teddy	Beneficial owner	100% (directly)	—	—	1,246,622 *(Note f)*	1,246,622

Notes:

(a) Mr. Yao Cho Fai Andrew ("**Mr. Yao**") was beneficially interested in these Shares through his wholly-owned company, Perfect Capital International Corp. ("**Perfect Capital**"). Mr. Yao is a sole director of Perfect Capital.

(b) Mr. Yao was deemed to be interested in these Shares through his controlling company, Huge Top Industrial Ltd. ("**Huge Top**"). Mr. Yao directly held approximately 21.43% and indirectly through his wholly-owned company, Perfect Capital, owned approximately 42.86% of the issued shares of Huge Top. Mr. Yao is a sole director of Huge Top.

(c) Among the 4,493,244 options granted to Ms. Luk Pui Yin Grace pursuant to a share option scheme of the Company adopted on 11 August 2011 (the "**2011 Share Option Scheme**"), 2,493,244 options were granted on 27 November 2013 with an exercise price at HK$1.043 for a validity period from 27 November 2013 to 26 November 2023, while the remaining 2,000,000 options were granted on 20 January 2015 with an exercise price at HK$0.928 for a validity period from 20 January 2015 to 19 January 2025.

(d) Among the 2,246,622 options granted to Mr. Lau Chi Chiu pursuant to the 2011 Share Option Scheme, 1,246,622 options were granted on 16 November 2012 with an exercise price at HK$0.537 for a validity period from 16 November 2012 to 15 November 2022, while the remaining 1,000,000 options were granted on 20 January 2015 with an exercise price at HK$0.928 for a validity period from 20 January 2015 to 19 January 2025.

(e) These options were granted on 19 June 2008 pursuant to a share option scheme of the Company adopted on 12 November 2001 (the "**2001 Share Option Scheme**"), which was subsequently terminated on 11 August 2011. Upon the termination of the 2001 Share Option Scheme, no further options will be granted thereunder but in all other aspects the provisions of the 2001 Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The exercise price for these options is HK$0.626 with a validity period from 19 June 2008 to 18 June 2018.

(f) These options were granted on 27 November 2013 pursuant to the 2011 Share Option Scheme with an exercise price at HK$1.043 for a validity period from 27 November 2013 to 26 November 2023.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company and their associates had any interests and 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) which (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons/companies, other than a Director and chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name	Capacity	Number of Shares	Approximate percentage
Perfect Capital	Beneficial owner	89,337,806	13.92%
	Interest of controlled corporation *(Note a)*	190,424,000	29.67%
		279,761,806	43.59%
Huge Top	Beneficial owner	190,424,000	29.67%
Mr. Wong Koon Chi	Beneficial owner	38,224,000	5.95%

Note:

(a) These Shares were held by Huge Top. Perfect Capital owned approximately 42.86% of the issued shares of Huge Top and therefore was deemed to be interested in these Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director and chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. COMPETING INTEREST

As at the Latest Practicable Date, the Directors confirm that neither themselves nor any of their respective close associates (as defined in the Listing Rules) were interested in any business apart from the business of the Group which competed, or was likely to compete, either directly or indirectly, with the business of the Group.

5. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 March 2016 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. INTEREST IN CONTRACT OR ARRANGEMENT

The Directors confirm that there was no contract or arrangement subsisting at the Latest Practicable Date in which they were materially interested and which was significant in relation to the business of the Group.

7. LITIGATION

The Directors confirm that none of the member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into in the ordinary course of business, and had been entered into by any members of Group within two years immediately preceding the Latest Practicable Date:

(i) a memorandum of understanding dated 19 August 2015 entered into between 上海新施房地產經紀有限公司 (Shanghai Xinshi Real Estate Brokerage Co. Ltd.*) ("**Shanghai Xinshi**", an indirect wholly-owned subsidiary of the Company) as purchaser and 上海電氣集團置業有限公司 (Shanghai Electric Group Real Estate Company Limited*) ("**Shanghai Electric**", an independent third party) as vendor in connection with the acquisition of Central Park Pudong (formerly known as 創屹商務大廈 (Chuang Yi Tower*));

(ii) the framework agreement ("**Framework Agreement**") dated 16 September 2015 entered into between Shanghai Xinshi as purchaser and Shanghai Electric as vendor pursuant to which Shanghai Xinshi conditionally agreed to acquire and Shanghai Electric conditionally agreed to sell the Central Park Pudong at a total consideration of RMB801,308,900 (equivalent to approximately HK$970,385,000 at the then exchange rate);

(iii) a performance bond payment agreement dated 16 September 2015 entered into among Shanghai Xinshi, VSC Building Products Company Limited (an indirect wholly-owned subsidiary of the Company), Shanghai Electric and Shanghai Electric Group Hong Kong Company Limited for the payment of the performance bond in an amount of HK$35 million in relation to the Framework Agreement; and

(iv) the S&P Agreement.

Save as disclosed above, the Directors are not aware of any contracts that are or may be material, not being contracts entered into in the ordinary course of business, and had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date.

9. SERVICE CONTRACTS

The Directors confirm that as at the Latest Practicable Date, the Directors did not have any existing or proposed service contract with any member of the Group (excluding contracts to expire or may be terminated by the employer within a year without payment of any compensation (other than statutory compensation)).

10. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Knight Frank Petty Limited	Independent property valuer

As at the Latest Practicable Date, each of the experts above was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group since 31 March 2016, being the date up to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, each of the experts above has given and has not withdrawn its written consent to the issue of the circular with the inclusion of and reference to its name in the form and context in which it appears.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Lam Yee Fan, *FCIS*, *FCS*, a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The principal place of business of the Company in Hong Kong is at Rooms 1103-05, 11th Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The principal share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda. The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of inconsistencies.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Rooms 1103-05, 11th Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong during normal business hours on any business day up to and including the date which is 14 days from the date of this circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the audited consolidated financial statements of the Group for the two financial years ended 31 March 2015 and 2016;

(c) the letter from the Board, the text of which is set out on page 7 to page 24 of this circular;

(d) the review report of the Target Group, the text of which is set out in Appendix II to this circular;

(e) the report on unaudited pro forma financial information of the Remaining Group from PricewaterhouseCoopers, the text of which is set out in Appendix IV to this circular;

(f) the valuation report of the PRC Property from Knight Frank Petty Limited, the text of which is set out in Appendix V to this circular;

(g) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(h) the written consent referred to in the paragraph headed "Expert's qualification and consent" in this Appendix; and

(i) this circular.

沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED
滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Hong Kong Shanghai Alliance Holdings Limited (the "**Company**") will be held at 1st Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong on Wednesday, 15 March 2017 at 2:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution of the Company.

Words and expressions that are not expressly defined in this notice of SGM shall bear the same meaning as that defined in the circular dated 28 February 2017, a copy of which is marked "A" and tabled before the SGM and initialled by the chairman of the SGM for identification purpose.

ORDINARY RESOLUTION

"**THAT**:

(a) the S&P Agreement entered into between the Vendor, the Purchaser and the Company in relation to the Disposal (a copy of which is marked "B" and tabled before the SGM and initialled by the chairman of the SGM for identification purpose), any other transaction documents in connection therewith and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the S&P Agreement."

By Order of the Board
Hong Kong Shanghai Alliance Holdings Limited
Lam Yee Fan
Company Secretary

Hong Kong, 28 February 2017

Registered office:	*Principal place of business in Hong Kong:*
Clarendon House	Rooms 1103-05, 11th Floor
2 Church Street	East Town Building
Hamilton HM11	41 Lockhart Road
Bermuda	Wanchai, Hong Kong

Notes:

1. The resolutions set out in this notice of SGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

2. Any member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.

3. 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 common seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the SGM or at any adjourned meeting (as the case may be) should they so wish. If the relevant member attends the SGM, the form of proxy shall be deemed to be revoked.

5. 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 at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be).

6. Whether or not you intend to attend the SGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

7. Where there are joint registered holders of any Share, any one of such joint registered holders may vote at the SGM, 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 registered holders are present at the SGM, whether in person or by proxy, the joint registered holders 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.

8. The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the SGM, from Tuesday, 14 March 2017 to Wednesday, 15 March 2017, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the SGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 March 2017.