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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this Circular or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Yuexiu Property Company Limited you should at once hand this Circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**(1) CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO  
EXERCISE OF CALL OPTION;**

**(2) PROPOSED RE-ELECTION OF DIRECTOR;**

**(3) NOTICE OF GENERAL MEETING; AND**

**(4) CLOSURE OF REGISTER OF MEMBERS**

**Independent Financial Adviser to the Independent Board Committee  
and  
the Independent Shareholders**



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A notice convening the General Meeting (as defined herein) of Yuexiu Property Company Limited to be held at Plaza I - IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 27 March 2018 at 4:00 p.m. is set out on pages GM-1 to GM-2 of this Circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of Yuexiu Property Company Limited, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so wish.

9 March 2018

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## DEFINITIONS

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

“Appraised NAV”	has the meaning ascribed to it under the paragraph headed “Basis of Valuation of the Property” in this Circular
“Board”	the board of Directors of the Company
“Call Option”	the call option granted by the JV Partner to GZCJ for it to acquire all the equity interest in the Project Company held by the JV Partner, being the JV Partner’s Equity Interest as at the Latest Practicable Date
“Call Option Exercise Agreement”	the call option exercise agreement dated 14 February 2018 entered into between GZ Superland and the JV Partner regarding the exercise of the Call Option
“Circular”	this circular in relation to, among others, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) issued by the Company in accordance with the Listing Rules
“Company”	Yuexiu Property Company Limited, a limited liability company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123)
“Conditions”	has the meaning ascribed to it under the paragraph headed “Conditions precedent” in this Circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 12 September 2013 entered into between GZCJ and the JV Partner, including if the context requires, the previous bidding agreement between GZCJ and the JV Partner that have been superseded by the said cooperation agreement
“Directors”	the directors of the Company
“Equity Consideration”	has the meaning ascribed to it under the paragraph headed “Exercise of the Call Option — Consideration” in this Circular
“Equity Transfer”	the transfer of the JV Partner’s Equity Interest by the JV Partner to GZ Superland pursuant to the Equity Transfer Agreement

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## DEFINITIONS

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“Equity Transfer Agreement”	the equity transfer agreement entered into between GZ Superland and the JV Partner dated 14 February 2018 regarding the Equity Transfer
“General Meeting”	the general meeting of the Company to be held to consider and, if thought fit, to approve the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement)
“Group”	the Company and its subsidiaries
“Group II Properties”	has the meaning ascribed to it under the paragraph headed “Information of the Project Company — The Project Company” in this Circular
“GZCJ”	廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co. Ltd.*), an indirect 95.48% owned subsidiary of the Company incorporated under the laws of PRC with limited liability
“GZ Superland”	廣州力超經濟信息諮詢有限公司 (Guangzhou Superland Economic & Information Consulting Company Limited*), an indirect wholly-owned subsidiary of the Company incorporated under the laws of PRC with limited liability
“GZYX”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. YU Lup Fat Joseph, Mr. LEE Ka Lun and Mr. LAU Hon Chuen Ambrose, established to advise the Independent Shareholders in respect of the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement)
“Independent Financial Adviser”	Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement)
“Independent Shareholders”	Shareholders other than GZYX and its associates

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## DEFINITIONS

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“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“JV Announcement”	the announcement of the Company dated 12 September 2013 in relation to, among others, the formation of the Project Company for the development of the Land Parcel
“JV Partner”	廣州越秀仁達四號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.4 Business Investment Enterprise (Limited Partnership))*
“JV Partner Contribution”	has the meaning ascribed to it under the paragraph headed “Exercise of the Call Option — Consideration” in this Circular
“JV Partner’s Equity Interest”	92% of the equity interest in the Project Company held by the JV Partner as at the Latest Practicable Date
“JV Partner Loan”	the entire amount owing by the Project Company to the JV Partner as at completion of the Equity Transfer
“Land Parcel”	the parcel of land situated in Hankou District, Wuhan City, Hubei Province of the PRC with a site area of approximately 147,240 sq.m.
“Latest Practicable Date”	7 March 2018, being the latest practicable date prior to the printing of this Circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this Circular excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Project Company”	武漢康景實業投資有限公司 (Wuhan Kangjing Enterprise Investment Ltd.)*, the joint venture to be established by GZCJ and the JV Partner in relation to the development of the Land Parcel pursuant to the terms of the Cooperation Agreement
“Property”	the mixed use residential and commercial complex being developed on the Land Parcel
“Registration Date”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Agreement — Completion of the Transaction” in this Circular

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## DEFINITIONS

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“Repayment Amount”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Agreement — Assets to be acquired by the Group” in this Circular
“Repayment Amount Contribution”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Agreement — Assets to be acquired by the Group” in this Circular
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre(s)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	ordinary share(s) of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Supplemental Announcements”	the announcements of the Company dated 23 September 2015 and 3 January 2017 in relation to, among other things, the extension of exercise period of the Call Option to 31 December 2016 and 31 December 2018 respectively
“Total Consideration”	has the meaning ascribed to it under the paragraph headed “Exercise of the Call Option — Consideration” in this Circular
“Transaction”	collectively, the Equity Transfer and the Repayment Amount Contribution
“Valuation Date”	31 December 2017
“%”	per cent.

*\* for identification purposes only*

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LETTER FROM THE BOARD

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**越秀地產股份有限公司**  
**YUEXIU PROPERTY COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 00123)**

*Executive Directors:*

ZHANG Zhaoxing (Chairman)  
ZHU Chunxiu  
LIN Zhaoyuan  
LI Feng  
CHEN Jing

Registered office:

26th Floor, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

*Independent non-executive Director:*

YU Lup Fat Joseph  
LEE Ka Lun  
LAU Hon Chuen Ambrose

9 March 2018

*To the Shareholders*

Dear Sir or Madam,

**(1) CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO  
EXERCISE OF CALL OPTION;**

**(2) PROPOSED RE-ELECTION OF DIRECTOR;**

**(3) NOTICE OF GENERAL MEETING; AND**

**(4) CLOSURE OF REGISTER OF MEMBERS**

**INTRODUCTION**

References are made to the announcement of the Company dated 14 February 2018, the JV Announcement and the Supplemental Announcements in relation to, among other things, the connected and discloseable transaction of the Company in relation to, among other things, the exercise of the Call Option.

The purpose of this Circular is to provide you with, among other things: (i) further information on the exercise of the Call Option (including the Equity Transfer Agreement and the Call Option Exercise Agreement); (ii) a letter of the recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; (iv) other information as required by the Listing Rules; and (v) the notice of the General Meeting.

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## LETTER FROM THE BOARD

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### EXERCISE OF THE CALL OPTION

#### **The Call Option**

On 12 September 2013, GZCJ and the JV Partner entered into the Cooperation Agreement, pursuant to which, among other things, the JV Partner granted the Call Option to GZCJ for GZCJ to acquire 92% of the equity interests of the Project Company held by the JV Partner at an exercise price to be determined based on an internal rate of return of not exceeding 12% per year (before tax) on the capital contributed by the JV Partner into the Project Company.

#### *The exercise period*

As disclosed in the JV Announcement, the Call Option is exercisable during the period commencing on the first anniversary of the due date for payment of registered capital into the capital account of the Project Company by JV Partner, being 22 September 2015, and ending on the expiry of twenty four months (or such extended period as agreed between GZCJ and the JV Partner in writing) thereafter. As disclosed in the Supplemental Announcements, the exercise period of the Call Option has been extended to 31 December 2016 and further to 31 December 2018 at no cost pursuant to written confirmation letters entered into between GZCJ and the JV Partner on 22 September 2015 and 30 December 2016 respectively.

#### *Exercise of the Call Option*

GZ Superland, an indirect wholly-owned subsidiary of the Company, proposed to exercise the Call Option to acquire the JV Partner's Equity Interest. To facilitate the above, the Cooperation Agreement has been amended by a supplemental agreement dated 14 February 2018 entered into between GZCJ and the JV Partner, pursuant to which GZCJ and the JV Partner have agreed that GZCJ or GZ Superland (being an indirect a wholly-owned subsidiary of the Company designated by GZCJ) shall have the right to exercise the Call Option. Save as disclosed herein, all other terms and provisions of the Cooperation Agreement remain unchanged and in full force and effect.

Pursuant to the Cooperation Agreement (as supplemented by the supplemental agreement dated 14 February 2018), on 14 February 2018, GZ Superland and the JV Partner entered into the Call Option Exercise Agreement, pursuant to which GZ Superland has exercised the Call Option.

#### *Consideration*

The exercise price of the Call Option for the JV Partner's Equity Interest was determined with reference to the formulation provided under the Cooperation Agreement, which provides that the exercise price shall be determined based on: (a) the total capital contribution by the JV Partner in the Project Company (the "**JV Partner Contribution**") plus (b) an amount equivalent to the JV Partner Contribution (or if the JV Partner Contribution is made by instalments, in respect of each instalment of the JV Partner Contribution) multiplied by an internal rate of return of not exceeding 12% per year (before tax) based on the period of time that the JV Partner Contribution is contributed into the Project Company, as disclosed in the JV Announcement.



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## LETTER FROM THE BOARD

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GZ Superland and the JV Partner have agreed that the total consideration payable by GZ Superland upon the full exercise of the Call Option as calculated pursuant to the aforementioned formulation provided under the Cooperation Agreement is RMB3,321,250,000 (the “**Total Consideration**”), of which RMB71,250,000 represents the consideration payable for the Equity Transfer (the “**Equity Consideration**”), and RMB3,250,000,000 represents the Repayment Amount (as defined below). The Equity Consideration is determined with reference to the capital of RMB46 million invested by the JV Partner in the Project Company plus the total interest amount at a rate of 12% per year (before tax) incurred and expected to be incurred on such capital contribution for the period from 23 September 2013 to 26 March 2018 pursuant to the aforementioned formulation provided under the Cooperation Agreement. It is the intention of the Company to satisfy the Total Consideration by the internal resources of the Group.

### **The Equity Transfer Agreement**

On 14 February 2018, in order to effect the Transaction upon the exercise of the Call Option, simultaneously with the Call Option Exercise Agreement, GZ Superland and the JV Partner entered into the Equity Transfer Agreement. The principle terms of the Equity Transfer Agreement are set out below.

#### *Date*

14 February 2018

#### *Parties*

(i) GZ Superland and (ii) the JV Partner

#### *Assets to be acquired by the Group*

GZ Superland has agreed to purchase and the JV Partner has agreed to sell, the JV Partner’s Equity Interest, representing 92% of the total equity interest in the Project Company; and GZ Superland has agreed to contribute RMB3,250,000,000 (the “**Repayment Amount**”) as shareholder’s loan into the Project Company (the “**Repayment Amount Contribution**”), which shall be used by the Project Company to repay the JV Partner Loan in full. As at the Latest Practicable Date, the total amount owed by the Project Company to the JV Partner was RMB3,250,000,000.

#### *Conditions precedent*

Completion of the Transaction is conditional upon the satisfaction of the following conditions (the “**Conditions**”):

1. all representations and warranties given by GZ Superland and the JV Partner in the Equity Transfer Agreement remaining true, accurate and complete in all material respects and are not misleading as at the date of the Equity Transfer Agreement and at all times up to and including the Completion Date;

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## LETTER FROM THE BOARD

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2. the Transaction having been approved by the Independent Shareholders at the General Meeting; and
3. all consents or waivers from the relevant regulatory authorities which are necessary in connection with the consummation of the transactions contemplated under the Equity Transfer Agreement having been obtained.

None of the Conditions are waivable by the parties to the Equity Transfer Agreement. As at the date of this Circular, none of the Conditions have been satisfied.

### *Consideration and payment terms*

GZ Superland shall:

- (i) pay to the JV Partner the Equity Consideration in full in RMB via wire transfer within one business day from the date on which all of the Conditions have been fulfilled; and
- (ii) make the Repayment Amount Contribution as shareholder's loan into the Project Company within one business day from the Registration Date, which Repayment Amount shall be used by the Project Company to repay the JV Partner Loan to the JV Partner in full on the same day immediately upon receipt of the Repayment Amount by the Project Company.

### *Completion of the Transaction*

Within five business days from the date on which all of the Conditions have been fulfilled, GZ Superland and the JV Partner shall procure the Project Company to arrange for the registration of the Equity Transfer and the corresponding amendments to the articles of association of the Project Company with the relevant administration for industry and commerce. Completion of the Transaction is deemed to have taken place on the date on which such registration is completed (the "**Registration Date**").

### *Termination*

The Equity Transfer Agreement may be terminated on the occurrence of any one of the following events:

1. force majeure;
2. loss of capacity to perform the Equity Transfer Agreement by GZ Superland or the JV Partner;
3. material breach by GZ Superland or the JV Partner; or
4. agreement in writing between GZ Superland and the JV Partner to terminate.

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## LETTER FROM THE BOARD

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Upon termination of the Equity Transfer Agreement, the JV Partner shall refund to GZ Superland the consideration (or any part thereof) already paid by GZ Superland within ten business days from the date of termination, failing which, the JV Partner must pay to GZ Superland on a daily basis an interest at a rate of 0.05% of the aforesaid refund until such refund has been paid by the JV Partner in full.

### Termination of the Cooperation Agreement

As a result of the exercise of the Call Option, the Cooperation Agreement will be terminated and will cease to have any effect on the day on which the registration of the Equity Transfer with the relevant administration for industry and commerce is completed.

### BASIS OF VALUATION OF THE PROPERTY

To assist the Directors to assess whether the Company should exercise the Call Option, the Company has appointed the Independent Valuer to conduct a valuation on the fair value of the equity interest in the Project Company and the Property respectively. According to the valuation of the Independent Valuer, the market values of each of the property interest held for sale by the Project Company in the PRC and the property interest held under development by the Project Company in the PRC as at 31 December 2017 (i.e. the Valuation Date) were RMB2,724,500,000 and RMB10,205,700,000 respectively. The appraised net asset value of the Project Company as at the Valuation Date (the “**Appraised NAV**”) was RMB157,565,000, which was derived as follows: the audited net asset value of the Project Company as at 31 December 2017 (being RMB53,073,000), *plus* appreciation of the Property, *minus* other receivables, accounts payable and deferred tax liability of the Project Company. For further explanations of the aforementioned appreciation of the Property, other receivables, accounts payable and deferred tax liability of the Project Company, please refer to the valuation report of the Project Company in Appendix IA of this Circular.

In respect of the valuation of the Appraised NAV of the Project Company, the Independent Valuer had adopted the net asset value approach. The Independent Valuer had considered the type of assets and liabilities and their conditions when arriving at the market values of the Project Company and had adopted appropriate valuation methodology for each different class of assets and liabilities.

In respect of the valuation of the property interest held for sale by the Project Company in the PRC, the Independent Valuer had adopted the comparison approach assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. The comparable sales transactions would be selected if they match the property type of the property interests held by the Project Company (e.g. residential units, retail units and car parking spaces). Also, the comparable sales transactions selected include the sales transactions of property interests located within the Property and within other newly completed buildings located in the area close to the Property with similar building conditions and facilities as the Property, which were transacted in 2017. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the Property to arrive at an assumed unit rate for the Property.

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## LETTER FROM THE BOARD

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The general basis of adjustment of physical characteristics include age, size, layout and location such as accessibility of the properties. In respect of the valuation of the property interest held under development by the Project Company, the Independent Valuer had assumed that the Property will be developed and completed in accordance with the latest development proposals provided by the Project Company and had adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of the cost and fees expected to be incurred for completing the development. The Independent Valuer had relied on the accrued construction cost and professional fees information provided by the Project Company according to the different stages of construction of the Property as at the Valuation Date, and did not find any material inconsistency from those of other similar developments.

As advised by the Independent Valuer, the comparison approach is a prior method adopted in valuation when active market transactions exist and comparables are available. In an active and mature market, the comparison approach is a more effective and straightforward way to approach the market value of a property with less assumptions. The Property comprises or will comprise residential, retail and car parking spaces components. There are active transaction markets in Wuhan City for such kind of properties and the sales evidences can be easily searched and identified. Considering the aforementioned, the Directors (including the independent non-executive Directors) consider these methodologies appropriate taking into account that market comparable transactions are readily available for reference.

According to the valuation by the Independent Valuer, the Appraised NAV after taking into account the appraised value of the Property is approximately RMB157,565,000, accordingly the JV Partner's Equity Interest would be valued at approximately RMB144,959,800. The Equity Consideration of RMB71,250,000 represents a discount of approximately 51% to the fair value of the JV Partner's Equity Interest as at the Valuation Date.

### REASONS FOR AND BENEFITS OF THE EXERCISE OF THE CALL OPTION

The Directors believe that the exercise of the Call Option will provide a good opportunity for the Group to increase its land bank in Wuhan without exposing itself to the market and operational risks associated with the initial stage of project development, which is important to the Group's long-term development. It is expected that the completion of the exercise of the Call Option will provide contribution to the Group's income and cash flows.

The Property is a high-end project that is of relatively large scale. The Land Parcel is situated in the centre of Wuhan City, which has a bustling business atmosphere and is in close proximity to the Zhongshan Park and Xunli Men stations of the Wuhan Subway Line Two, with well-equipped and convenient transportation. Therefore, the Directors consider that the exercise of the Call Option is beneficial to the scale of the Group's development in Wuhan, and can increase sales and enhance the Group's position and brand image in the Wuhan city market. Taking into account: (i) the valuation of the Project Company and the Property by the Independent Valuer; (ii) the approximately 51% discount of the exercise price of the Call Option to the fair value of the JV Partner's Equity Interest as at the Valuation Date; and (iii) the reasons and benefits described above, the Directors (including the

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## LETTER FROM THE BOARD

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independent non-executive Directors) consider that the terms of the exercise of the Call Option, the Call Option Exercise Agreement and Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

### INFORMATION OF THE PROJECT COMPANY

#### The Project Company

The Project Company is principally engaged in the business of property investment, property development and sale, property management and renovation work. The Project Company is owned as to 8% and 92% by GZCJ and the JV Partner respectively as at the Latest Practicable Date.

Based on the unaudited consolidated financial statements of the Project Company for the period from 1 January 2017 up to 31 December 2017, prepared in accordance with the PRC Generally Accepted Accounting Principles, the unaudited consolidated total asset value and the net asset value of the Project Company as at 31 December 2017 were approximately RMB18,161,802,000 and approximately RMB53,073,000 respectively.

The unaudited consolidated financial information of the Project Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the years ended 31 December 2016 and 31 December 2017 is as follows:

	<b>For the year ended 31 December 2016</b>	<b>For the year ended 31 December 2017</b>
	<i>(RMB)</i>	<i>(RMB)</i>
Net profit/(loss) before tax	151,158,000	(16,017,000)
Net profit/(loss) after tax	113,965,000	(16,017,000)

Upon completion of the exercise of the Call Option, the Project Company will become an indirect non-wholly-owned subsidiary of the Company, and the accounts of the Project Company will be consolidated into the accounts of the Company. The Project Company will reduce its indebtedness level by accelerating its collection of sales proceeds and other feasible methods, including but not limited to optimisation of operation and management of the Project such as accelerating the planning, filing and construction progress of the properties being developed, strengthening its market research, sales efforts and promotions and enhancing communication with the relevant financial institutions to ensure the sale proceeds are released to the Project Company promptly.

As set out in the JV Announcement, the Project Company was established by GZCJ and the JV Partner under the Cooperation Agreement for the development, management, construction, decoration, sales and operation of the Land Parcel. The Company plans to develop the Land Parcel for mixed uses which include residential, street-level commercial shops, multi-floor offices, hotel and shopping centre etc. The Board believes that the development on the Land Parcel, which is located at the Wuhan City center, will facilitate the Company to better reinforce its brand image and brand awareness in Wuhan City.

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## LETTER FROM THE BOARD

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The Property comprises (i) unsold portion of a residential and commercial development (known as Phases I and II of Wuhan Yuexiu International Financial Centre) which were completed between 2016 and 2017 and which are held for sale with a total gross floor area of approximately 94,491.83 sq.m. (being the Group I Properties); and (ii) a parcel of land and portions of a parcel of land which are held for development with a total site area of approximately 110,155.83 sq.m. and which are being constructed for the purposes of residential, commercial, science-education and park and green land developments (known as Phases III, IV and V of Wuhan Yuexiu International Financial Centre) and scheduled to be completed in May 2022 (the “**Group II Properties**”). As the Property is a mixed-use development, the Company’s strategy in handling the Group II Properties will depend on the then prevailing market conditions.

### INFORMATION OF THE COMPANY, GZCJ, GZ SUPERLAND AND THE JV PARTNER

#### The Company

The Company is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123). The Group is principally engaged in property development and investment, mainly focusing on properties in Guangzhou and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

#### GZCJ

GZCJ is principally engaged in property development.

#### GZ SUPERLAND

GZ Superland is principally engaged in the provision of commercial services.

#### JV Partner

The JV Partner is a limited partnership investment fund established under the laws of the PRC. The JV Partner principally engages in the business of investment and management.

GZYG, which is the controlling shareholder of the Company, is a majority shareholder of the general partner of the JV Partner. Accordingly, the JV Partner is regarded by the Company as a connected person (as defined in the Listing Rules) of the Company by virtue of its relationship with GZYG.

### IMPLICATIONS OF THE LISTING RULES

As the JV Partner is regarded as a connected person of the Company under the Listing Rules, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the exercise of the Call

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Option is more than 5% but less than 25%, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Independent Shareholders at the General Meeting under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement).

Yu Ming Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement).

As none of the Directors had a material interest in the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement), no Director has abstained from voting on the relevant board resolutions of the Company.

### PROPOSED RE-ELECTION OF DIRECTOR

In accordance with Article 98 of the Company's articles of association, Chen Jing (who was appointed as executive Director with effect from 17 July 2017) shall hold office only until the next following general meeting of the Company. Accordingly, she will retire at the General Meeting.

Chen Jing, being eligible, will offer herself for re-election at the General Meeting. Biographical details of Chen Jing, which are required to be disclosed by the Listing Rules, are set out below.

1. Ms Chen Jing ("**Ms Chen**"), aged 46, was appointed as executive Director and the Chief Financial Officer of the Company in July 2017. Ms. Chen is also the Chief Financial Officer and General Manager, Finance Department of GZYY, Yue Xiu Enterprises (Holdings) Limited and Guangzhou Yue Xiu Enterprises Holdings Limited (廣州越秀企業集團有限公司). She is also a director of Excellence Enterprises Co., Ltd., a substantial shareholder of the Company. Since November 2016, she has acted as the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited (越秀證券控股有限公司). Ms Chen graduated from the Xi'an Jiaotong University in audit studies, and holds a master of business administration degree of the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor.

Ms Chen joined GZYY in July 2004 and was the deputy general manager of the supervisory (audit) office and the general manager of the audit department. Ms Chen has participated in building a system to monitor the major risks of GZYY. Ms Chen is well versed in risk management and internal control management of listed companies and has extensive experience in establishing a sound system for risk management and internal control for



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## LETTER FROM THE BOARD

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enterprises. Prior to joining GZYX, Ms Chen worked in the school of business of the Hubei University and Hisense Kelon Electrical Holdings Company Limited (海信科龍電器股份有限公司) (formerly known as “Guangdong Kelon Electrical Holdings Company Limited (廣東科龍電器股份有限公司)”).

Save as disclosed above, Ms Chen does not have any relationship with any other directors, senior management or substantial or controlling shareholders (each as defined in the Listing Rules) of the Company, and Ms Chen has not held any directorships in other Hong Kong or overseas listed public companies in the last three years preceding the date of this Circular. As at the Latest Practicable Date, Ms Chen has no personal interest in the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service agreement between the Company and Ms Chen. Ms Chen will retire and be eligible for re-election in accordance with the articles of association of the Company. Ms Chen is entitled to receive a salary of RMB1,490,000 per annum from the Company. In addition, Ms Chen is entitled to a discretionary bonus to be determined with reference to her job responsibilities and the performance and profitability of the Company and its subsidiaries.

Save as disclosed above, there is no other matter concerning Ms Chen that is required to be brought to the attention of the Shareholders and there is no information that is required to be disclosed herein pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 March 2018 to 27 March 2018 (both days inclusive), during which no transfer of Shares will be effected, to determine the eligibility of the Shareholders to participate in the General Meeting. For Shareholders not already on the register of the members of the Company, in order to qualify to attend and vote at the General Meeting, all transfer(s) of Share(s) (together with the relevant Share certificate(s)) must be lodged with the Company’s share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration by no later than 4:30 p.m. on 22 March 2018.

### GENERAL MEETING

The General Meeting will be held at 4:00 p.m. on 27 March 2018 at Plaza I - IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of the General Meeting, which is set out on pages GM-1 to GM-2 of this Circular. Whether or not you are able or intend to attend and vote at the General Meeting in person, you are requested to complete and return the enclosed form of proxy to the Company’s share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.



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## LETTER FROM THE BOARD

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The voting in respect of the resolutions to be proposed at the General Meeting will be conducted by way of a poll.

As disclosed above, each of GZYZ and its respective associates will abstain from voting at the General Meeting in respect of the proposed resolutions to approve the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement). Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement), and therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting. You can vote at the General Meeting if you are an Independent Shareholder on 27 March 2018, which is referred to in this Circular as the record date. You will find enclosed with this Circular the notice of the General Meeting (please refer to pages GM-1 to GM-2 in this Circular) and a form of proxy for use for the General Meeting.

### VOTING BY POLL

All the resolutions set out in the notice of the General Meeting would be decided by poll in accordance with the Listing Rules and the articles of association of the Company. On a poll, every Independent Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. An Independent Shareholder present in person (or, in the case of an Independent Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all of his/its votes or cast all of his/its votes in the same way. After the conclusion of the General Meeting, the poll results will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <http://www.yuexiuproperty.com>.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that (i) the terms of the exercise of the Call Option, the Call Option Exercise Agreement and Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the proposed re-election of Director at the General Meeting is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend all Independent Shareholders to vote in favour of the relevant resolutions in relation thereof to be proposed at the General Meeting.

### ADDITIONAL INFORMATION

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

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## LETTER FROM THE BOARD

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Shareholders and potential investors of the Company should be aware that completion of the exercise of the Call Option is subject to certain conditions being satisfied, therefore the exercise of the Call Option may or may not proceed to completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Your faithfully,  
For and on behalf of the Board of  
**Yuexiu Property Company Limited**  
**Zhang Zhaoxing**  
*Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**越秀地產股份有限公司**  
**YUEXIU PROPERTY COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock code: 00123)

9 March 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO  
EXERCISE OF CALL OPTION**

We refer to the circular issued by the Company to its shareholders dated 9 March 2018 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the terms of the exercise of the Call Option, the Call Option Exercise Agreement and the Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option), details of which are set out in the letter from the Board contained in the Circular. Yu Ming Investment Management Limited has been appointed to advise the Independent Shareholders and us in respect of the terms of the exercise of the Call Option, the Call Option Exercise Agreement and the Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option). Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 18 to 37 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the exercise of the Call Option, the Call Option Exercise Agreement and the Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option), the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we consider the terms of the exercise of the Call Option, the Call Option Exercise Agreement and the Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the General Meeting to approve the exercise of the Call Option, the Call Option Exercise Agreement and the Equity Transfer Agreement.

Yours faithfully

Independent Board Committee of  
**Yuexiu Property Company Limited**

**YU Lup Fat Joseph**

**LEE Ka Lun**

**LAU Hon Chuen Ambrose**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the full text of a letter of advice from Yu Ming Investment Management Limited to the Independent Board Committee and the Independent Shareholders in relation to the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement), which has been prepared for the purpose of inclusion in this circular.*



YU MING INVESTMENT MANAGEMENT LIMITED  
禹銘投資管理有限公司

9 March 2018

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONNECTED AND DISCLOSABLE TRANSACTION

#### EXERCISE OF CALL OPTION

#### INTRODUCTION

Reference is made to the announcement of the Company dated 14 February 2018 in connection with the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement), details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) in the circular of the Company dated 9 March 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

GZ Superland, an indirect wholly-owned subsidiary of the Company, proposed to exercise the Call Option to acquire the JV Partner’s Equity Interest. To facilitate the above, the Cooperation Agreement has been amended by a supplemental agreement dated 14 February 2018 entered into between GZCJ and the JV Partner, pursuant to which GZCJ and the JV Partner have agreed that GZCJ or GZ Superland (being an indirect wholly-owned subsidiary of the Company designated by GZCJ) shall have the right to exercise the Call Option. Save as disclosed herein, all other terms and provisions of the Cooperation Agreement remain unchanged and in full force and effect.

Pursuant to the Cooperation Agreement (as supplemented by the supplemental agreement dated 14 February 2018), on 14 February 2018, GZ Superland and the JV Partner entered into the Call Option Exercise Agreement, pursuant to which GZ Superland has exercised the Call Option.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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On 14 February 2018, in order to effect the Equity Transfer upon the exercise of the Call Option, simultaneously with the Call Option Exercise Agreement, GZ Superland and the JV Partner entered into the Equity Transfer Agreement, pursuant to which (i) GZ Superland has agreed to purchase and the JV Partner has agreed to sell, the JV Partner's Equity Interest, representing 92% of the total equity interest in the Project Company and (ii) GZ Superland has agreed to contribute RMB3,250,000,000 as shareholder's loan into the Project Company, which shall be used by the Project Company to repay the JV Partner Loan in full. GZ Superland and the JV Partner have agreed that the total consideration payable by GZ Superland upon the full exercise of the Call Option is RMB3,321,250,000, of which RMB71,250,000 represents the consideration payable for the Equity Transfer, and RMB3,250,000,000 represents the Repayment Amount.

As the JV Partner is regarded as a connected person of the Company under the Listing Rules, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the exercise of the Call Option is more than 5% but less than 25%, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Independent Shareholders at the General Meeting under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. YU Lup Fat Joseph, Mr. LEE Ka Lun and Mr. LAU Hon Chuen Ambrose, has been established to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement and the Call Option Exercise Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolutions in the General Meeting. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the statements, information, opinions and representations provided to us by the Directors through management, officers and professional advisers of the Company ("**Relevant Information**"). We have assumed that all Relevant Information provided to us by the Directors for which they are solely responsible are, to the best of their knowledge, true, complete and accurate at the time they were made and continue to be so on the date of this letter.

We have no reason to suspect that any Relevant Information has been withheld, nor are we aware of any fact or circumstance which would render the Relevant Information provided and presented to us untrue, inaccurate, incomplete or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification on the Relevant Information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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We acted as the independent financial adviser to advise the independent board committee of the Company in respect of the connected transactions of the Company (details of the connected transactions were set out in the announcement of the Company dated 31 August 2015, the circular of the Company dated 23 November 2016, the circular of the Company dated 19 May 2017 and the announcement of the Company dated 26 June 2017). These previous engagements had been completed after the issue of the respective announcement and circular of the Company. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in relation to the terms of the Equity Transfer Agreement and the Call Option Exercise Agreement and transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### I. Information of the Group

##### (a) *Background of the Group*

The Company is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123). It is principally engaged in property development and investment, mainly focusing on properties in Guangzhou and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

According to the annual results announcement for the year ended 31 December 2017 (“Annual Results Announcement 2017”), as of 31 December 2017, the land bank of the Group was approximately 16.27 million sq.m. with a total of 49 projects in 12 cities in the PRC, of which approximately 9.83 million sq.m is attributable to the interest of the Group.

In terms of regional composition, Guangzhou accounted for approximately 38.9% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 11.3%, Yangtze River Delta accounted for approximately 22.8%, Central China Region accounted for approximately 15.2%, Bohai Rim accounted for approximately 10.7%, Hainan accounted for approximately 0.6% and Hong Kong accounted for approximately 0.5%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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A summary of the land bank of the Group as of 31 December 2017 is as follows:

Location	Land bank (GFA in sq.m.)	Properties under development (GFA in sq.m.)	Properties for future development (GFA in sq.m.)	
1	Guangzhou	6,338,200	3,568,000	2,770,200
2	Pearl River Delta (excluding Guangzhou)	1,835,700	932,700	903,000
3	Yangtze River Delta	3,705,600	1,198,000	2,507,600
4	Central China Region	2,474,400	2,158,200	316,200
5	Bohai Rim	1,746,000	460,500	1,285,500
6	Hainan	100,400	6,000	94,400
7	Hong Kong	73,400	—	73,400
	<b>Total</b>	<b><u>16,273,700</u></b>	<b><u>8,323,400</u></b>	<b><u>7,950,300</u></b>

In 2017, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB40.87 billion, a year-on-year increase of 35.1% and accounted for approximately 113.5% of the full year contracted sales target of RMB36.0 billion. The gross floor area (“GFA”) of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 2.22 million sq.m., representing a year-on-year decrease of 4.7%. The average selling price was approximately RMB18,400 per sq.m., a year-on-year increase of 41.5%.

**(b) Financial information on the Group**

A summary of financial information of the Group is extracted from the annual report of the Company for year ended 31 December 2016 and the Annual Results Announcement 2017 in Table-1 below:

**Table-1: Financial highlights of the Group**

	For the year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	22,115,677	20,871,021	23,793,908
Gross profit	4,658,816	4,339,601	6,108,107
Profit before tax	2,995,565	3,363,461	4,785,410
Profit after tax	1,154,544	1,726,876	2,331,646

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR**

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	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	29,327,586	33,483,307	37,196,884
Current assets	82,697,068	91,881,609	95,633,596
Current liabilities	42,534,090	52,926,656	52,196,851
Non-current liabilities	38,024,360	38,052,383	43,956,742
Net assets	31,466,204	34,385,877	36,988,918

*(i) For the year ended 31 December 2016*

For the year ended 31 December 2016, the Group recorded a total revenue of approximately RMB20.9 billion (2015: approximately RMB22.1 billion), representing a decrease of approximately 5.4% from the previous year. Profit after tax of the Group for the year ended 31 December 2016 is approximately RMB1.7 billion (2015: approximately RMB1.2 billion), representing an increase of 41.7%.

The Group's year on year increase in profit after tax of 41.7% is mainly resulted from the increase of Group's other gains. For the year ended 31 December 2016, the Group recorded net other gains of approximately RMB1.1 billion (2015: approximately RMB0.1 billion), representing a year-on-year increase of 828.9%. The increase in net other gains was resulted from the gain on disposal of a hotel of approximately RMB0.23 billion, profits before tax of approximately RMB0.37 billion from disposal of 51% equity interests held in an indirect wholly-owned subsidiary and the fair value gain of approximately RMB0.36 billion from re-measurement of the remaining 49% equity interests held by the Group.

As at 31 December 2016, the total assets and total liabilities of the Group amounted to approximately RMB125.4 billion and approximately RMB91.0 billion, respectively.

*(ii) For the year ended 31 December 2017*

For the year ended 31 December 2017, the revenue of the Group was approximately RMB23.79 billion, representing a year-on-year increase of 14.0%. Profit after tax was approximately RMB2.33 billion, representing a year-on-year increase of approximately 35.0%. Core net profit (profit attributable to equity holders excluding net fair value loss on revaluation of investment properties and the related tax effect and net foreign exchange loss recognised in consolidated statement of profit or loss) was approximately RMB2.35 billion, representing a year-on-year increase of 36.7%.

The increase in revenue and profit for the year ended 31 December 2017 was mainly attributable to increase in average selling price of property projects.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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As at 31 December 2017, the total assets and total liabilities of the Group amounted to approximately RMB132.8 billion and approximately RMB96.2 billion, respectively.

*(c) Business outlook of the Group*

According to the Annual Results Announcement 2017, the Group estimated that the government will keep the sustainability and stability of its policies for regulating the property market, adhering to the keynote of “the house is for living in rather than for speculation” and staying the course with differentiated control. Differentiation in the property market will continue. Tight control will continue in hotspots among tier-1 and tier-2 cities while sales remains stable since supply fails to meet the demand. Policy de-stocking effects in tier-3 and tier-4 cities will gradually weaken. Tier-1 cities and key tier-2 cities are going to increase their land supply for residential purpose. Hence, property developers are expected to be more rational in land acquisition. Strict supervision over financing channels and tightening liquidity lead to increase in the capital cost of property developers. There will be more opportunities for merger and acquisition and cooperation, which for the developers with financial strength is a better timing to expand. New business types and new development models will continue to emerge in the property market, and urban agglomeration effects appear gradually in the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, middle reaches of the Yangtze River and the Bohai Rim Economic Zone, providing developers with further growth opportunities. The government will expedite establishment of a housing system encompassing multi-suppliers, multi-channels and both renting and purchase, and improve the long-acting mechanisms to promote steady and healthy development of the property market. As a pillar industry, the property industry will continue to play an important role in stabilising the economy and boosting growth.

In 2018, with the aim to accomplish sales and operating targets for the full year and by conforming to the themes of “business-driven quality improvement, innovation-driven development”, the Group will focus on three core regions, namely Greater Bay Area, Yangtze River Delta and Central China Region, and strive to strengthen and optimise the development and operation of residential and commercial properties. The Group will keep fostering new businesses such as urban renewal, elderly-care home and apartments for lease, and bring industrial and capital operations closely linked to innovate and develop real estate finance. The Group is dedicated to becoming an outstanding enterprise with distinct competitive edge and leading comprehensive strength in the industry.

## **II. The Call Option**

On 12 September 2013, GZCJ and the JV Partner entered into the Cooperation Agreement, pursuant to which, among other things, the JV Partner granted the Call option to GZCJ for GZCJ to acquire 92% of the equity interests of the Project Company held by the JV Partner at an exercise price to be determined based on an internal rate of return of not exceeding 12% per year (before tax) on the capital contributed by the JV Partner into the Project Company.

### *The exercise period*

As disclosed in the JV Announcement, the Call Option is exercisable during the period commencing on the first anniversary of the due date for payment of registered capital into the capital

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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account of the Project Company by JV Partner, being 22 September 2015, and ending on the expiry of twenty four months (or such extended period as agreed between GZCJ and the JV Partner in writing) thereafter. As disclosed in the Supplemental Announcements, the exercise period of the Call Option has been extended to 31 December 2016 and further to 31 December 2018 at no cost pursuant to written confirmation letters entered into between GZCJ and the JV Partner on 22 September 2015 and 30 December 2016 respectively.

### *Exercise of the Call Option*

GZ Superland, an indirect wholly-owned subsidiary of the Company, proposed to exercise the Call Option to acquire the JV Partner's Equity Interest under the Call Option. To facilitate the above, the Cooperation Agreement has been amended by a supplemental agreement dated 14 February 2018 entered into between GZCJ and the JV Partner, pursuant to which GZCJ and the JV Partner have agreed that GZCJ or GZ Superland (being an indirect wholly-owned subsidiary of the Company designated by GZCJ) shall have the right to exercise the Call Option. Save as disclosed herein, all other terms and provisions of the Cooperation Agreement remain unchanged and in full force and effect.

Pursuant to the Cooperation Agreement (as supplemented by the supplemental agreement dated 14 February 2018), on 14 February 2018, GZ Superland and the JV Partner entered into the Call Option Exercise Agreement, pursuant to which GZ Superland has exercised the Call Option.

### *Consideration*

The exercise price of the Call Option for the JV Partner's Equity Interest was determined with reference to the formulation provided under the Cooperation Agreement, which provides that the exercise price shall be determined based on: (a) the total capital contribution by the JV Partner in the Project Company (the "JV Partner Contribution") plus (b) an amount equivalent to the JV Partner Contribution (or if the JV Partner Contribution is made by instalments, in respect of each instalment of the JV Partner Contribution) multiplied by an internal rate of return of not exceeding 12% per year (before tax) based on the period of time that the JV Partner Contribution is contributed into the Project Company, as disclosed in the JV Announcement.

GZ Superland and the JV Partner have agreed that the total consideration payable by GZ Superland upon the full exercise of the Call Option as calculated pursuant to the aforementioned formulation provided under the Cooperation Agreement is RMB3,321,250,000 (the "Total Consideration"), of which RMB71,250,000 represents the consideration payable for the Equity Transfer (the "Equity Consideration"), and RMB3,250,000,000 represents the Repayment Amount (as defined below). The Equity Consideration is determined with reference to the capital of RMB46 million invested by the JV Partner in the Project Company plus the total interest amount at a rate of 12% per year (before tax) incurred and expected to be incurred on such capital contribution for the period from 23 September 2013 to 26 March 2018 pursuant to the aforementioned formulation provided under the Cooperation Agreement. It is the intention of the Company to satisfy the Total Consideration by the internal resources of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### III. The Equity Transfer Agreement

On 14 February 2018, in order to effect the Transaction upon the exercise of the Call Option, simultaneously with the Call Option Exercise Agreement, GZ Superland and the JV Partner entered into the Equity Transfer Agreement. The principle terms of the Equity Transfer Agreement are set out below.

#### *Assets to be acquired by the Group*

GZ Superland has agreed to purchase and the JV Partner has agreed to sell, the JV Partner's Equity Interest, representing 92% of the total equity interest in the Project Company; and GZ Superland has agreed to contribute RMB3,250,000,000 (the "Repayment Amount") as shareholder's loan into the Project Company (the "Repayment Amount Contribution"), which shall be used by the Project Company to repay the JV Partner Loan in full. As at the Latest Practicable Date, the total amount owed by the Project Company to the JV Partner was RMB3.25 billion.

#### *Conditions precedent*

Completion of the Transaction is conditional upon the satisfaction of the following conditions (the "Conditions"):

1. all representations and warranties given by GZ Superland and the JV Partner in the Equity Transfer Agreement remaining true, accurate and complete in all material respects and are not misleading as at the date of the Equity Transfer Agreement and at all times up to and including the Completion Date;
2. the Transaction having been approved by the Independent Shareholders at the General Meeting; and
3. all consents or waivers from the relevant regulatory authorities which are necessary in connection with the consummation of the transactions contemplated under the Equity Transfer Agreement having been obtained.

None of the Conditions are waivable by the parties to the Equity Transfer Agreement. As at the Latest Practicable Date, none of the Conditions have been satisfied.

#### *Consideration and payment terms*

GZ Superland shall:

- (i) pay to the JV Partner the Equity Consideration in full in RMB via wire transfer within one business day from the date on which all of the Conditions have been fulfilled; and
- (ii) make the Repayment Amount Contribution as shareholder's loan into the Project Company within one business day from the Registration Date, which Repayment Amount shall be used by the Project Company to repay the JV Partner Loan to the JV Partner in full on the same day immediately upon receipt of the Repayment Amount by the Project Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Completion of the Transaction*

Within five business days from the date on which all of the Conditions have been fulfilled, GZ Superland and the JV Partner shall procure the Project Company to arrange for the registration of the Equity Transfer and the corresponding amendments to the articles of association of the Project Company with the relevant administration for industry and commerce. Completion of the Transaction is deemed to have taken place on the date on which such registration is completed (the “Registration Date”).

### *Termination*

The Equity Transfer Agreement may be terminated on the occurrence of any one of the following events:

1. force majeure;
2. loss of capacity to perform the Equity Transfer Agreement by GZ Superland or the JV Partner;
3. material breach by GZ Superland or the JV Partner; or
4. agreement in writing between GZ Superland and the JV Partner to terminate.

Upon termination of the Equity Transfer Agreement, the JV Partner shall refund to GZ Superland the consideration (or any part thereof) already paid by GZ Superland within ten business days from the date of termination, failing which, the JV Partner must pay to GZ Superland on a daily basis an interest at a rate of 0.05% of the aforesaid refund until such refund has been paid by the JV Partner in full.

### *Termination of the Cooperation Agreement*

As a result of the exercise of the Call Option, the Cooperation Agreement will be terminated and will cease to have any effect on the day which the registration of the Equity Transfer with the relevant administration for industry and commerce is completed.

## **IV. Information on the Project Company and the Property**

### *The Project Company*

The Project Company is principally engaged in the business of property investment, property development and sale, property management and renovation work. The Project Company is owned as to 8% and 92% by GZCJ and the JV Partner respectively as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Based on the unaudited consolidated financial statements of the Project Company for the period from 1 January 2017 up to 31 December 2017, prepared in accordance with the PRC Generally Accepted Accounting Principles, the unaudited consolidated total asset value and the net asset value of the Project Company as at 31 December 2017 were approximately RMB18,161,802,000 and approximately RMB53,073,000 respectively.

The unaudited consolidated financial information of the Project Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the years ended 31 December 2016 and 31 December 2017 is as follows:

	<b>For the year ended 31 December 2016</b> <i>(RMB' million)</i>	<b>For the year ended 31 December 2017</b> <i>(RMB' million)</i>
Revenue	1,561.7	78.7
Net profit/(loss) before tax	151.2	(16.0)
Net profit/(loss) after tax	114.0	(16.0)

For the year ended 31 December 2017, the revenue of the Project Company decreased from approximately RMB1,561.7 million for the year ended 31 December 2016 to approximately RMB78.7 million, and the Project Company recorded a net loss of approximately RMB16 million compared with a net profit of approximately RMB114 million. The Project Company incurred a loss in 2017 mainly due to that its revenue decreased by approximately 95.0% from approximately RMB1,561.7 million for the year ended 31 December 2016 to approximately RMB78.7 million as a result of less GFA was delivered to customers in the year. Majority of property under Phase I of the project for development of the Land Parcel was delivered to customers in 2016 while majority of properties sold in 2017 are scheduled to be delivered after 2017. Given the contracted sales of property is recognised as revenue upon delivery of property to customers, the decrease in GFA delivered to customers in 2017 results in the decrease in revenue.

Upon completion of the exercise of the Call Option, the Project Company will become an indirect non-wholly-owned subsidiary of the Company, and the accounts of the Project Company will be consolidated into the accounts of the Company.

As set out in the Letter, the Project Company will reduce its indebtedness level by accelerating its collection of sales proceeds and other feasible methods, including but not limited to optimisation of operation and management of the Project such as accelerating the planning, filing and construction progress of the properties being developed, strengthening its market research, sales efforts and promotions and enhancing communication with the relevant financial institutions to ensure the sale proceeds are released to the Project Company promptly.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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As set out in the JV Announcement, the Project Company was established by GZCJ and the JV Partner under the Cooperation Agreement for the development, management, construction, decoration, sales and operation of the Land Parcel. The Company plans to develop the Land Parcel for mixed uses which include residential, street-level commercial shops, multi-floor offices, hotel and shopping centre etc. The Board believes that the development on the Land Parcel, which is located at the Wuhan City center, will facilitate the Company to better reinforce its brand image and awareness in Wuhan City.

### *The Property*

The Property is located at the junction of Jiefang Avenue and Xinhua Road. The subject area of the property is well-served with public transportation. The locality is the central of Jiangnan District with several office buildings, shopping malls and residential developments with street front shops, hospitals, schools and parks.

The Property comprises (i) unsold portion of a residential and commercial development (known as Phases I and II of Wuhan Yuexiu International Financial Centre) completed between 2016 and 2017 (“**Group I Property**”); and (ii) a parcel of land and portions of a parcel of land with a total site area of approximately 110,155.83 sq.m. and a residential, commercial, science-education and park and green land development (known as Phases III, IV and V of Wuhan Yuexiu International Financial Centre) which was being constructed thereon (“**Group II Property**”).

The Group I Property has a total gross floor area of approximately 94,491.83 sq.m. and the details are set out as below:

<b>Usage</b>	<b>Gross Floor Area</b> <i>(sq.m.)</i>
Residential	75,558.21
Retail	10,603.22
Car parking spaces (625 car parking spaces)	<u>8,330.40</u>
<b>Total</b>	<u><u>94,491.83</u></u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The development of the Group II Property is scheduled to be completed in May 2022. Upon completion, the development will have a total planned gross floor area of approximately 640,796.71 sq.m. and the details are set out as below:

<b>Usage</b>	<b>Gross Floor Area</b> <i>(sq.m.)</i>
Residential	144,591.19
Retail	420,812.02
Ancillary	24,605.38
Basement (inclusive of 920 car parking spaces)	<u>50,788.12</u>
<b>Total</b>	<u><u>640,796.71</u></u>

### V. Valuations of the Transaction

To assist the Directors to assess whether the Company should exercise the Call Option, the Company has appointed the Independent Valuer to conduct a valuation on the fair value of the equity interest in the Project Company and the Property respectively. According to the valuation of the Independent Valuer, the market values of each of the property interest held for sale by the Project Company in the PRC and the property interest held under development by the Project Company in the PRC as at 31 December 2017 (i.e. the Valuation Date) were RMB2,724,500,000 and RMB10,205,700,000 respectively. The appraised net asset value of the Project Company as at the Valuation Date (the “Appraised NAV”) was RMB157,565,000.

#### *(i) Valuation Report*

We have reviewed the valuation reports (the “**Valuation Reports**”) prepared by the Independent Valuer on the Project Company and the Property as at 31 December 2017 as set out in Appendices IA and IB to the Circular and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the valuation (the “**Valuation**”) of the Project Company.

We have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; and (ii) the Independent Valuer’s qualification and experience in relation to the preparation of the Valuation Reports. From the engagement letter and other relevant information provided by the Independent Valuer, we are satisfied with the terms of engagement of the Independent Valuer as well as its qualification and experience for preparation of the valuation report. The independent valuer has also confirmed that it is independent to the Group, the JV Partner and their respective associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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In valuing the Project Company, the Independent Valuer had adopted the net asset value approach. The valuation of the net asset value (“NAV”) of the Project Company has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council, which sets out guideline on the basis and valuation approaches used in business valuation.

It is noted that the valuation of the NAV of the Project Company was prepared based on the audited financial position of the Project Company as at 31 December 2017. According to the audited accounts of the Project Company, apart from the Property, other assets of the Project Company comprise cash, other receivable and fixed assets and the liabilities of the Project Company comprise accounts payable, unearned revenue, other payable, tax payable and long-term debt. The Independent Valuer considered that save for the Property, other assets and liabilities of Project Company as disclosed in its audited accounts have reflected their respective market value and separate valuation is not required.

Accordingly, the Independent Valuer has separately prepared a valuation of the Property. The Independent Valuer carried out a site visit to the Property in January 2018. In valuing the Property, the Independent Valuer has (i) adopted comparison method by assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market; (ii) assumed that the project will be developed and completed in accordance with the latest development proposals provided to the Independent Valuer by the Company and the Project Company and adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development; and (iii) complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

In arriving at the appraised value of the Property, the Independent Valuer identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the Property such as nature, use, size, layout and accessibility of the property. The selected comparables are apartment units, retail units and car parking spaces within the same development of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB31,000 to RMB39,000 per sq.m. for residential units, RMB77,000 to RMB90,000 per sq.m. for retail units and RMB290,000 to RMB380,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Based on the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Independent Valuer as discussed above are reasonable and the Valuation Reports to be the appropriate source of information for the purpose of our assessment on the fairness and reasonableness of the Equity Consideration.

The Independent Valuer had considered the type of assets and liabilities of the Project Company and their conditions when arriving at their market values. The Independent Valuer adopted appropriate valuation methodology for each different class of assets and liabilities as follows:

<b>Assets</b>	<b>Valuation Approach &amp; Methodology</b>
Cash; Account receivable; Fixed asset and other non-current assets	Based on values in audit report.
Other receivable	RMB 158,487,609 out of the other receivables refers to a payment to a contractor which has provided services but has not issued invoices. That part of work-in-progress is already accounted for in the valuation of the inventory. Therefore, this amount is excluded from other receivable.
Inventory	Based on the appraised value of the Property
<b>Liabilities</b>	<b>Valuation Approach &amp; Methodology</b>
Account payable	The total development cost of Phases III, IV and V of the property excluding financing cost is estimated to be approximately RMB 12,992,271,000 of which approximately RMB 8,572,020,000 had been accrued in the accounts as at the valuation date. Matching with the actual construction progress, incurred construction cost is considered to be at RMB 9,225,722,795 up to the valuation date. Hence an additional account payable to match with the actual construction stage of the property of RMB 653,702,177 is required to be added to the original amount of account payable.
Unearned revenue; Salary payable; Tax payable and other payable; Long term debt	Based on values in audit report
Deferred tax liability	Deferred tax liability is estimated based on increase in value from adjusted book value of inventory to appraised value (considering also the adjustments made to other receivable and account payable above). 25% Tax Rate is applied in this exercise.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The Independent Valuer considered that save for the Property, other assets and liabilities of Project Company as disclosed in its audited accounts have reflected their respective market value and separate valuation is not required. It is noted that the adjustments for other receivable and account payable and provision for deferred tax liability are associated with the revaluation of the Property. In view of the above, we considered the valuation approach and methodology for valuation of the NAV of the Project Company are appropriate.

Based on the Valuation Reports, the Appraised NAV of the Project Company is approximately RMB157.6 million which is derived as follows:

	<i>RMB' million</i>
Audited NAV of the Project Company as at 31 December 2017	53.1
Add: Appreciation of the Property	951.5
Less: Other receivable ( <i>Note 1</i> )	(158.5)
Less: Accounts payable ( <i>Note 2</i> )	(653.7)
Less: Deferred tax liability ( <i>Note 3</i> )	<u>(34.8)</u>
Appraised NAV of the Project Company as at 31 December 2017	<u><u>157.6</u></u>
Appraised NAV of the Project Company as at 31 December 2017 attributable to the JV Partner's Equity Interest	<u><u>145.0</u></u>

*Notes:*

1. RMB158,487,609 of other receivable is payment to contractor and is already accounted for in valuation of the Property and hence this amount is excluded in other receivable.
2. The total development cost of Phases III, IV and V of the Property excluding financing cost is estimated to be approximately RMB12,992,271,000 of which approximately RMB 8,572,020,000 had been paid up to the valuation date. And accrued construction cost is RMB 9,225,722,795 up to the valuation date. Hence account payable based on actual construction stage of the Property is RMB653,702,177, which is added to the original amount of account payable.
3. Deferred tax liability is estimated based on increase in value from adjusted book value of the Property to appraised value. Book value of the Property for deferred tax liability purpose is adjusted upwards from original book value by RMB158,487,609 of other receivable (payment to contractor) and RMB 653,702,177 of additional account payable based on actual construction stage of the Group II Property.

The Equity Consideration of approximately RMB71.3 million represents a discount of approximately 50.9% to the Appraised NAV of the Project Company attributable to JV Partner Equity's Interest of RMB145.0 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Pursuant to the confirmation letter provided by the JV Partner, the outstanding principal amount of the JV Partner Loan amounted to RMB3,250 million as at the date of Equity Transfer Agreement and will remain unchanged on completion of the Transaction. As such, the repayment of the JV Partner Loan is on dollar for dollar basis with the Repayment Amount Contribution.

*(ii) Market Comparables*

To further assess the fairness and reasonableness of the Total Consideration, we had compiled a comparable table on consideration paid by other listed issuers in property transaction which we carried out on a best effort basis using the following selection criteria: (i) acquisition of properties or property holding company by companies listed on the Stock Exchange from 1 January 2018 up to the date of the Announcement (“**Research Period**”) which constitute a notifiable transaction; and (ii) appraised value of the property(ies) or the property holding company by independent valuer as basis of determination of consideration set out in the circular. We have identified and made references to 7 comparable transactions (“**Comparable Transactions**”) which meet the aforesaid criteria, and consider these Comparable Transactions exhaustive and representative. The Comparable Transactions included transactions with both connected person and independent third party which we consider appropriate as such transactions were conducted after arm’s length negotiation between the parties and on normal commercial terms. We also considered that the Research Period is appropriate since the Comparable Transactions have taken into account the recent market conditions which are similar to those of the exercise of the Call Option and the Comparable Transactions are representative for comparison. Brief summary of relevant information of the Comparable Transactions are set out in Table 2 below:

**Table-2:**

	<b>Company name (Stock code)</b>	<b>Date of circular</b>	<b>Transaction &amp; Location</b>	<b>Connected transaction (Yes/No)</b>	<b>Consideration</b>	<b>Adjusted NAV/ Valuation of Property</b>	<b>Discount of consideration to adjusted NAV/ valuation of property</b>
1	Hoifu Energy Group Limited (7)	29-Jan-18	Acquisition of land parcel in Guangdong	Yes	RMB1,100,000,000	RMB1,100,000,000	0.00%
2	Midland IC&I Limited (459)	23-Jan-18	Acquisition of factory units and car parking space in Hong Kong	No	HK\$196,000,000	HK\$202,000,000	-2.98%
3	Asia Resources Holdings Limited (899)	22-Jan-18	Acquisition of commercial property in Liaoning	Yes	RMB625,000,000	RMB625,000,000	0.00%
4	Chuang’s China Investments Limited (298)	11-Jan-18	Acquisition of Central Plaza in Malaysia	Yes	HK\$336,000,000	HK\$336,000,000	0.00%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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	Company name (Stock code)	Date of circular	Transaction & Location	Connected transaction (Yes/No)	Consideration	Adjusted NAV/ Valuation of Property	Discount of consideration to adjusted NAV/ valuation of property
5	Wonderful Sky Financial Group Holdings Limited (1260)	5-Jan-18.	Acquisition of commercial property in Hong Kong	No	HK\$594,204,100	HK\$600,000,000	-0.97%
6	C&D International Investment Group Limited (1908)	5-Jan-18	Acquisition of land parcel in Nanjing City	No	RMB1,230,000,000	RMB1,230,000,000	0.00%
7	Eminence Enterprise Limited (616)	4-Jan-18	Acquisition of factorial building in Hong Kong	No	HK\$53,000,000	HK\$59,400,000	-10.78%
						<b>Average</b>	<b>-2.10%</b>
						<b>Maximum discount</b>	<b>-10.78%</b>
						<b>Minimum discount</b>	<b>0.00%</b>
	The Company		Acquisition of the Property	Yes	RMB71,250,000	RMB145,000,000	-50.9%

As illustrated in Table 2 above, it is noted that the consideration of the Comparable Transactions was equivalent or at a slight discount to their respective adjusted NAV/valuation of property. Since the Equity Consideration represents a discount of approximately 50.9% to the Appraised NAV of the Project Company attributable to the JV Partner's Equity Interest which is on better terms than the average discount of 2.10% of the Comparable Transactions.

Having considered that (i) the Equity Consideration represents a discount of approximately 50.9% to the Appraised NAV of the Project Company attributable to the JV Partner Equity Interest; and (ii) the JV Partner Loan will be settled on dollar-for-dollar basis, we concur with the Directors' view that the terms of the Call Option Exercise Agreement and the Equity Transfer Agreement are on normal commercial terms, and fair and reasonable.

### VI. Reasons for and Benefits of the Exercise of the Call Option

The Directors believe that the exercise of the Call Option will provide a good opportunity for the Group to increase its land bank in Wuhan without exposing itself to the market and operational risks associated with the initial stage of project development, which is important to the Group's long-term development. It is expected that the completion of the exercise of the Call Option will provide contribution to the Group's income and cash flows.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The Property is a high-end project that is of relatively large scale. The Land Parcel is situated in the centre of Wuhan City, which has a bustling business atmosphere and is in close proximity to the Zhongshan Park and Xunli Men stations of the Wuhan Subway Line Two, with well-equipped and convenient transportation. Therefore, the Directors consider that the exercise of the Call Option is beneficial to the scale of the Group's development in Wuhan, and can increase sales and enhance the Group's position and brand image in the Wuhan city market.

Taking into account: (i) the valuation of the Project Company and the Property by the Independent Valuer; (ii) the approximately 50.9% discount of the exercise price of the Call Option to the fair value of the JV Partner's Equity Interest as at the Valuation Date; and (iii) the reasons and benefits described above, we concur with the Directors that the terms of the exercise of the Call Option, the Call Option Exercise Agreement and Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **VII. Possible Financial Effect of the Acquisition on the Group**

Based on our discussion with the Directors, we understand that the Directors have taken into account the following factors when they consider the potential impact of the Transaction on the financial position of the Group:

#### *(i) Earnings*

The Group recorded a net profit of approximately RMB2,331.6 million for the year ended 31 December 2017 and the Project Company report a net loss of approximately RMB16.0 million for the year ended 31 December 2017. The Board expects that the exercise of the Call Option will not have an immediate impact on the earnings of the Group.

#### *(ii) Net assets*

As at 31 December 2017, the net assets of the Group were approximately RMB37.0 billion. As at 31 December 2017, the appraised net asset value of the Project Company was approximately RMB157.6 million. The Board expects that the exercise of the Call Option will not have a significant impact on the net assets of the Group.

#### *(iii) Gearing*

As at 31 December 2017, the gearing ratio of the Group was approximately 35.9%, representing borrowings of approximately RMB47.7 billion divided by total assets of approximately RMB132.8 billion. As at 31 December 2017, the Project Company had borrowings of RMB7.8 billion (excluding the JV Partner Loan of RMB3.25 billion). The Board expects that the gearing ratio of the Group will increase upon completion of the acquisition of the Project Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*(iv) Liquidity*

As at 31 December 2017, the net current assets of the Group were approximately RMB43.7 billion. The Board expects that the payment of the Total Consideration of approximately RMB3.32 billion will not have a significant impact on the liquidity of the Group.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after completion of the Transaction.

### RECOMMENDATION

Having considered the principal factors analysed above, in particular that:

- (i) the acquisition of the Project Company through the exercise of the Call Option is in line with the development strategy of the Company to focus on the Pearl River Delta, Yangtze River Delta and the central region in the PRC;
- (ii) the acquisition of the Project Company will further increase the high-quality land reserves of the Group, thereby strengthening the core property business of the Group and solidifying the leading position of the Group in the property market of the PRC;
- (iii) the Equity Consideration represents a discount of approximately 50.9% to the Appraised NAV of the Project Company attributable to the JV Partner's Equity Interest which are on better terms than the average discount of the Comparable Transactions of 2.10% as illustrated in the Comparable Transactions in Table 2 above;
- (iv) the JV Partner Loan will be settled with the Repayment Amount Contribution which in substance is equivalent to a loan assignment on dollar-for-dollar basis and is fair and reasonable; and
- (v) it is expected that the exercise of the Call Option will not cause a significant impact on the earnings, net assets and liquidity of the Group although the gearing ratio of the Group is expected to increase,

we concur with the Directors that (i) the acquisition of the Project Company through the exercise of the Call Option is in the ordinary and usual course of business of the Group; (ii) the terms of the Call Option Exercise Agreement and the Equity Transfer Agreement are fair and reasonable and on normal commercial terms; and (iii) the exercise of the Call Option is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution at the General Meeting to approve the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement).

Yours faithfully,

For and on behalf of

**YU MING INVESTMENT MANAGEMENT LIMITED**

**Warren Lee**

*Managing Director*

*Mr. Warren Lee of Yu Ming Investment Management Limited is a responsible officer of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.*

*The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with their valuation as at 31 December 2017 of Wuhan Kangjing Enterprise Investment Ltd.\*.*



**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

9 March 2018

Yuexiu Property Company Limited  
26/Floor, Yue Xiu Building,  
160 Lockhart Road, Wanchai,  
Hong Kong

Dear Sirs,

In accordance with the instructions of Yuexiu Property Company Limited (the “Company”), we have undertaken a valuation which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the net assets value of Wuhan Kangjing Enterprise Investment Ltd. (the “Project Company”) as at 31 December 2017 (the “Valuation Date”). The report which follows is dated 9 March 2018 (the “Report Date”).

The purpose of this valuation is for public disclosure reference.

Our valuation was carried out on a market value basis. Market value is defined as “*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Project Company. We have also considered various risks and uncertainties that have potential impact on the Project Company.



We do not intend to express any opinion in matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Project Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Project Company as at the Valuation Date is RMB 157,565,000. The details are as follows:

<b>Wuhan Kangjing Enterprise Investment Ltd.</b>	<b>Market Value (RMB)</b>
<i>Current Assets</i>	18,766,333,542
Cash	1,508,354,566
Accounts receivable	2,469,810
Other receivable	3,228,509,166
Inventory	14,027,000,000
<i>Non-Current Assets</i>	188,492,596
Fixed asset	34,924
Other non-current asset	188,457,672
<i>Current Liabilities</i>	10,997,351,538
Accounts payable	745,916,653
Unearned revenue	3,834,818,164
Salary payable	15,881,897
Tax payable	-21,600,901
Other payable	6,387,505,329
Deferred tax liability	34,830,396
<i>Non-Current liabilities</i>	7,799,910,000
Long-term debt	7,799,910,000
<i>Net Assets</i>	157,565,000

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Simon M.K. Chan**  
*Regional Director*

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**INTRODUCTION**

This report has been prepared in accordance with the instructions of Yuexiu Property Company Limited to express an independent opinion of the market value of the net assets value of Wuhan Kangjing Enterprise Investment Ltd. (the “Project Company”) as at 31 December 2017 (the “Valuation Date”). The report which follows is dated 9 March 2018 (the “Report Date”).

**PURPOSE OF VALUATION**

The purpose of this valuation is for public disclosure reference.

**BASIS OF OPINION**

Our valuation was carried out on a market value basis. Market value is defined as “*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

**BACKGROUND**

Wuhan Kangjing Enterprise Investment Ltd. was incorporated on 25 September 2013, with a registered capital of RMB 50,000,000. The Project Company is principally engaged in property development. Its main property is Wuhan Yuexiu International Financial Centre. As at the valuation date, the property comprises the unsold portion of a residential and commercial development (Phases I and II) completed between 2016 and 2017 and a parcel of land with a total site area of approximately 110,155.83 sq.m. and a residential, commercial, science-education and park and green land development (Phases III, IV and V) which was being constructed thereon as at the valuation date.

**ASSUMPTIONS**

In determining the net assets value of the Project Company, including the value of inventory, the following key assumptions have been made:

- In valuing inventory of the Project Company, our valuation has been made on the assumption that the seller sells the property interests on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.
- In valuing inventory of the Project Company, buildings under construction in Phases III and V have not obtained the Construction Work Commencement Permits. It is assumed that the relevant Construction Work Commencement Permits have been obtained by the Project Company and the buildings could be freely transferred.
- We have relied to a very considerable extent on the information given by the Company and the Project Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

**APPROACH AND METHODOLOGY**

In arriving at our assessed value for the net assets, we have applied the net asset value approach in determining our opinion of value. In this report, we had considered the type of assets and liabilities and their conditions when arriving at their market values. We adopted appropriate valuation methodology for each different class of assets and liabilities.

**Assets****Valuation Approach & Methodology**

Cash; Account receivable;  
Fixed asset and other  
non-current assets

Based on values in audit report.

Other receivable

RMB 158,487,609 out of the other receivables refers to a payment to a contractor which has provided services but has not issued invoices. That part of work-in-progress is already accounted for in the valuation of the inventory. Therefore, this amount is excluded from other receivable.

Inventory

We have valued the property interest of Phases I and II of the project which were held for sale by as at the valuation date by the comparison approach assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. In valuing the property interest of Phases III, IV and V of the project which were held under development by as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Company and the Project Company. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Company and the Project Company according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For valuation method details, please refer to Jones Lang LaSalle Corporate Appraisal and Advisory Limited's Property Valuation Report.

### Liabilities

### Valuation Approach & Methodology

Account payable

As advised by the Company and the Project Company, the total development cost of Phases III, IV and V of the property excluding financing cost is estimated to be approximately RMB 12,992,271,000 of which approximately RMB 8,572,020,000 had been accrued in the accounts as at the valuation date. Matching with the actual construction progress, incurred construction cost is considered to be at RMB 9,225,722,795 up to the valuation date. Hence an additional account payable to match with the actual construction stage of the property of RMB 653,702,177 is required to be added to the original amount of account payable.

Unearned revenue; Salary payable; Tax payable and other payable; Long term debt

Based on values in audit report.

Deferred tax liability                      Deferred tax liability is estimated based on increase in value from adjusted book value of inventory to appraised value (considering also the adjustments made to other receivable and account payable discussed earlier). 25% Tax Rate is applied in this exercise.

### BOOK VALUES OF ASSETS AND LIABILITIES

The table below summarizes the book values of the assets and liabilities as at the Valuation Date, which is provided by the managements of the Project Company.

<b>Wuhan Kangjing Enterprise Investment Ltd.</b>	<b>Book Value (RMB)</b>
<i><b>Current Assets</b></i>	17,973,309,782
Cash	1,508,354,566
Accounts receivable	2,469,810
Other receivable	3,386,996,775
Inventory	13,075,488,631
<i><b>Non-Current Assets</b></i>	188,492,596
Fixed asset	34,924
Other non-current asset	188,457,672
<i><b>Current Liabilities</b></i>	10,308,818,965
Accounts payable	92,214,476
Unearned revenue	3,834,818,164
Salary payable	15,881,897
Tax payable	-21,600,901
Other payable	6,387,505,329
<i><b>Non-Current liabilities</b></i>	7,799,910,000
Long-term debt	7,799,910,000
<i><b>Net Assets</b></i>	53,073,413

### VALUATION COMMENTS

In general, we have undertaken the necessary and appropriate valuation procedures in the valuation of the subject items as at the Valuation Date. The methodologies adopted are generally considered being suitable with regard to the nature of the relevant assets and liabilities. The user of the Valuation Report should be aware of the condition relating to the validity period of the report, which is one year as stated in the Valuation Report.

## OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Project Company as at the Valuation Date is RMB 157,565,000. The details are as follows:

<b>Wuhan Kangjing Enterprise Investment Ltd.</b>	<b>Market Value (RMB)</b>
<i>Current Assets</i>	18,766,333,542
Cash	1,508,354,566
Accounts receivable	2,469,810
Other receivable	3,228,509,166
Inventory	14,027,000,000
<i>Non-Current Assets</i>	188,492,596
Fixed asset	34,924
Other non-current asset	188,457,672
<i>Current Liabilities</i>	10,997,351,538
Accounts payable	745,916,653
Unearned revenue	3,834,818,164
Salary payable	15,881,897
Tax payable	-21,600,901
Other payable	6,387,505,329
Deferred tax liability	34,830,396
<i>Non-Current liabilities</i>	7,799,910,000
Long-term debt	7,799,910,000
<i>Net Assets</i>	157,565,000

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Simon M.K. Chan**  
*Regional Director*

**LIMITING CONDITIONS**

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.



9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

#### **VALUERS' PROFESSIONAL DECLARATION**

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
  
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**

*Regional Director*

**Hunter Z.W. He**

*Associate Director*

**Eugene Y.Z. Zhou**

*Assistant Manager*

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of the property interests held by the Project Company.*



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

9 March 2018

The Board of Directors  
**Yuexiu Property Company Limited**  
26/Floor, Yue Xiu Building,  
160 Lockhart Road, Wanchai,  
Hong Kong

Dear Sirs,

In accordance with the instructions of Yuexiu Property Company Limited (the “**Company**”) to value the property interests held by Wuhan Kangjing Enterprise Investment Ltd. (the “**Project Company**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 December 2017 (the “**Valuation Date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest in Group I which was held for sale by the Project Company as at the valuation date by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificates/Tables/Reports or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed.

In valuing the property interest in Group II which was held under development by the Project Company as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Project Company. In arriving at our opinion of value, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Company and the Project Company according to the different stages of construction of the property as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those for which the Construction Works Commencement Permit(s) has (have) been issued while the Construction Works Certified Report(s) or Certificate(s) of Completion of the building(s) have not been issued.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and the Project Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have summarized the major certificates/approvals of the properties in the Notes of each valuation certificate. In these summaries, we adopt “no” if the Project Company has not obtained such certificates/approvals which are not required for the current construction stages, and we adopt “portion” if the Project Company has not yet obtained some of such certificates/approvals of the properties as these properties consist of

different groups mentioned above/construction stages (different certificates/approvals are required for different groups/construction stages). We have relied considerably on the advice given by the Company's PRC legal adviser — GREENLEAF LAW FIRM, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in January 2018 by Ms. Raina Zheng and Ms. Nina Huang. Ms. Zheng is a China Real Estate Appraiser and China Public Valuer in the PRC and has more than 4 years' experience in the valuation of properties in the PRC and Ms. Huang has 1 year's experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Project Company. We have also sought confirmation from the Company and the Project Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T. W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 24 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

**Group I: Property interest held for sale by the Project Company in the PRC**

<b>No. Property</b>	<b>Market value in existing state as at the valuation date RMB</b>
1. The unsold portion of Phases I and II of Wuhan Yuexiu International Financial Centre located at the junction of Jiefang Avenue and Xinhua Road Jiangnan District Wuhan City Hubei Province The PRC (武漢越秀國際金融匯一、二期)	2,724,500,000
<b>Sub-total:</b>	<u>2,724,500,000</u>

**Group II: Property interest held under development by the Project Company in the PRC**

<b>No. Property</b>	<b>Market value in existing state as at the valuation date RMB</b>
2. Phases III, IV and V of Wuhan Yuexiu International Financial Centre located at the junction of Jiefang Avenue and Xinhua Road Jiangnan District Wuhan City Hubei Province The PRC (武漢越秀國際金融匯三、四、五期)	10,205,700,000
<b>Sub-total:</b>	<u>10,205,700,000</u>
<b>Grand-total:</b>	<u>12,930,200,000</u>

## VALUATION CERTIFICATE

## Group I: Property interest held for sale by the Project Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB										
1.	The unsold portion of Phases I and II of Wuhan Yuexiu International Financial Centre located at the junction of Jiefang Avenue and Xinhua Road Jiangnan District Wuhan City Hubei Province The PRC (武漢越秀國際金融匯一、二期)	<p>The property comprises the unsold portion of a residential and commercial development (known as Phases I and II of Wuhan Yuexiu International Financial Centre) completed between 2016 and 2017.</p> <p>The property is located at the junction of Jiefang Avenue and Xinhua Road. The subject area of the property is well-served with public transportation. The locality is the central of Jiangnan District with several office buildings, shopping malls and residential developments with street front shops, hospitals, schools and parks.</p> <p>The property has a total gross floor area of approximately 94,491.83 sq.m. and the details are set out as below:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>75,558.21</td> </tr> <tr> <td>Retail</td> <td>10,603.22</td> </tr> <tr> <td>Car parking spaces (625 car parking spaces)</td> <td><u>8,330.40</u></td> </tr> <tr> <td><b>Total:</b></td> <td><b><u>94,491.83</u></b></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for terms of 70 years expiring on 21 May 2085 and 24 December 2085 for residential use, 40 years expiring on 21 May 2055 and 24 December 2055 for commercial use and 50 years expiring on 24 December 2065 for science-education, park and green land uses.</p>	Usage	Gross Floor Area (sq.m.)	Residential	75,558.21	Retail	10,603.22	Car parking spaces (625 car parking spaces)	<u>8,330.40</u>	<b>Total:</b>	<b><u>94,491.83</u></b>	As at the valuation date, the property was vacant and held for sale.	2,724,500,000
Usage	Gross Floor Area (sq.m.)													
Residential	75,558.21													
Retail	10,603.22													
Car parking spaces (625 car parking spaces)	<u>8,330.40</u>													
<b>Total:</b>	<b><u>94,491.83</u></b>													

## Notes:

- Pursuant to 2 State-owned Land Use Rights Grant Contracts — Nos. WH-2015-B058 and WH-2015-B126 dated 22 May 2015 and 25 December 2015, the land use rights of 2 parcels of land with a total site area of approximately 76,916.45 sq.m. (including the land use rights of the property) were contracted to be granted to Wuhan Kangjing Enterprise Investment Ltd. (武漢康景實業投資有限公司, “the Project Company”) for terms of 70 years for residential use, 40 years for commercial use and 50 years for science-education, and park and green land uses commencing from the land delivery date. The total land premium was RMB3,370,283,000.



2. Pursuant to 2 Construction Land Planning Permits — Wu Gui Di Nos. (2015) 096 and (2016) 009, permission towards the planning of the aforesaid land parcels with a total site area of approximately 76,916.45 sq.m. have been granted to the Project Company.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Wu Guo Yong (2015) Di No. 111 and (2016) Di No. 17, the land use rights of the aforesaid land parcels with a total site area of approximately 76,916.45 sq.m. (including the land use rights of the property) have been granted to the Project Company for terms of 70 years expiring on 21 May 2085 and 24 December 2085 for residential use, 40 years expiring on 21 May 2055 and 24 December 2055 for commercial use and 50 years expiring on 24 December 2065 for science-education, park and green land uses.
4. Pursuant to 2 Construction Work Planning Permits — Wu Gui Jian Nos. (2015) 145 and (2017) 148 in favour of the Project Company, Phases I, II and IV of Wuhan Yuexiu International Financial Centre (including the property) with a total gross floor area of approximately 303,993.26 sq.m. have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 4201032014101600114BJ4001 and 4021032014101600114BJ4002 in favour of the Project Company, permission by the relevant local authority was given to commence the construction of Phases I and II of Wuhan Yuexiu International Financial Centre (including the property) with a total gross floor area of approximately 193,471.90 sq.m.
6. Pursuant to 4 Pre-sale Permits — Wu Fang Kai Yu Shou Nos. (2015) 388, (2015) 390, (2016) 334 and (2017) 078 in favour of the Project Company, the Project Company is entitled to sell portions of Phases I and II of Wuhan Yuexiu International Financial Centre (representing a total gross floor area of approximately 144,647.90 sq.m.) to purchasers.
7. Pursuant to 11 Construction Work Completion and Inspection Certificates — Nos. 21-16-0154 to 21-16-0158 and Nos. 21-17-0172 to 21-17-0177 in favour of the Project Company, the construction of Phases I and II of Wuhan Yuexiu International Financial Centre with a total gross floor area of approximately 173,041.14 sq.m. has been completed and passed the inspection acceptance.
8. As advised by the Company and the Project Company, various residential, retail and car parking spaces with a total gross floor area of approximately 77,780.81 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB2,634,529,256. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB31,000 to RMB39,000 per sq.m. for residential units, RMB77,000 to RMB90,000 per sq.m. for retail units and RMB290,000 to RMB380,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. Pursuant to a series of mortgage contracts and relevant agreements, portions of the property are subject to mortgages in favor of a third party. As advised by the Company and the Project Company, the mortgaged portions of the property were pledged to secure the banking facilities granted to the Project Company.

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- a. The Project Company is legally and validly in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, the Project Company has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the property in accordance with relevant land use rights grant contracts and the aforesaid State-owned Land Use Rights Certificates and in compliance with the provisions of the relevant mortgage contracts. The land premium has been fully paid;
- b. The Project Company has obtained necessary approvals, permits and certificates for the current stage of the construction works of the property. As advised by the Company’s PRC legal advisors, there is no evidence that the obtained approvals, permits and certificates of the construction works are abolished, modified, repealed or revoked;
- c. The Project Company has obtained necessary Pre-sale Permits and is entitled to pre-sale the pre-sale scope according to the Pre-sale Permits;
- d. The construction of the property has obtained Construction Work Completion and Inspection Certificate. The Project Company can apply for the Building Ownership Certificate of such property with relevant State-owned Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Construction Work Completion and Inspection Certificate from relevant real estate management department. There is no material legal impediment for the Project Company to obtain the Building Ownership Certificate of such property;
- e. The car parking spaces of the property have been constructed in accordance with the local planning provisions by the Project Company, and the Project Company is entitled to occupy and use such car parking spaces in accordance with the approved planning requirements and laws; and
- f. As advised by the Company’s PRC legal advisors, except for the real estate mortgage situation mentioned above, the property is not subject to any restrictions arising from any sequestration, mortgage or any other rights.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Yes
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

## VALUATION CERTIFICATE

## Group II: Property interest held under development by the Project Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB												
2.	Phases III, IV and V of Wuhan Yuexiu International Financial Centre located at the junction of Jiefang Avenue and Xinhua Road Jiangnan District Wuhan City Hubei Province The PRC (武漢越秀國際金融匯三、四、五期)	<p>The property comprises a parcel of land and portions of a parcel of land with a total site area of approximately 110,155.83 sq.m. and a residential, commercial, science-education and park and green land development (known as Phases III, IV and V of Wuhan Yuexiu International Financial Centre) which was being constructed thereon as at the valuation date.</p> <p>The property is located at the junction of Jiefang Avenue and Xinhua Road. The subject area of the property is well-served with public transportation. The locality is the central of Jiangnan District with various office buildings, shopping malls and residential developments with street front shops, hospitals, schools and parks.</p> <p>The development of the property is scheduled to be completed in May 2022. Upon completion, the development will have a total planned gross floor area of approximately 640,796.71 sq.m. and the details are set out as below:</p>	As at the valuation date, the property was under construction.	10,205,700,000												
		<table border="1"> <thead> <tr> <th>Usage</th> <th>Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>144,591.19</td> </tr> <tr> <td>Retail</td> <td>420,812.02</td> </tr> <tr> <td>Ancillary</td> <td>24,605.38</td> </tr> <tr> <td>Basement (inclusive of 920 car parking spaces)</td> <td><u>50,788.12</u></td> </tr> <tr> <td><b>Total:</b></td> <td><b><u>640,796.71</u></b></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Residential	144,591.19	Retail	420,812.02	Ancillary	24,605.38	Basement (inclusive of 920 car parking spaces)	<u>50,788.12</u>	<b>Total:</b>	<b><u>640,796.71</u></b>		
Usage	Planned Gross Floor Area (sq.m.)															
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Basement (inclusive of 920 car parking spaces)	<u>50,788.12</u>															
<b>Total:</b>	<b><u>640,796.71</u></b>															

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
		As advised by the Company and the Project Company, the total development cost of the property (excluding financing cost) is estimated to be approximately RMB12,992,271,000 of which approximately RMB8,572,020,000 had been paid up to the valuation date.		
		The land use rights of the property have been granted for terms of 70 years expiring on 24 December 2085 for residential use, 40 years expiring on 24 December 2055 and 28 September 2056 for commercial use, 50 years expiring on 24 December 2065 for science-education use and 24 December 2065 and 28 September 2066 for park and green land use.		

*Notes:*

- Pursuant to 2 State-owned Land Use Rights Grant Contracts — Nos. WH-2015-B126 and WH-2016-B158 dated 25 December 2015 and 29 September 2016, the land use rights of 2 parcels of land with a total site area of approximately 132,574.57 sq.m. (including the land use rights of the property) were contracted to be granted to Wuhan Kangjing Enterprise Investment Ltd. (武漢康景實業投資有限公司, “the Project Company”) for terms of 70 years for residential use, 40 years for commercial use, 50 years for science-education, park and green land uses commencing from the land delivery date. The total land premium was RMB8,318,166,600.
- Pursuant to 2 Construction Land Planning Permits — Wu Gui Di Nos. (2016) 009 and 170, permission towards the planning of the aforesaid land parcels with a total site area of approximately 132,574.57 sq.m. has been granted to the Project Company.
- Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2016) Di No. 17 and a Real Estate Title Certificate — E (2016) Wu Han Shi Bu Dong Chan Quan Di No. 0001954, the land use rights of the aforesaid land parcels with a total site area of approximately 132,574.57 sq.m. (including the land use rights of the property) have been granted to the Project Company for terms of 70 years expiring on 24 December 2085 for residential use, 40 years expiring on 24 December 2055 and 28 September 2056 for commercial use, 50 years expiring on 24 December 2065 for science-education use and 50 years expiring on 24 December 2065 and 28 September 2066 for park and green land use.
- Pursuant to a Construction Work Planning Permit — Jian Zi Di Wu Gui Jian No. (2017) 148 in favour of the Project Company, Phases II and IV of Wuhan Yuexiu International Financial Centre with a total gross floor area of approximately 243,040.89 sq.m. have been approved for construction.
- Pursuant to a Construction Work Commencement Permit — No. 4201032014101600114BJ4003 in favour of the Project Company, permission by the relevant local authority was given to commence the construction of Phase IV of Wuhan Yuexiu International Financial Centre with a gross floor area of approximately 216,359.14 sq.m.
- For the construction works of Phases III and V of Wuhan Yuexiu International Financial Centre, we have not been provided with any Construction Work Planning Permits or Construction Work Commencement Permits.

7. In the valuation of the property, we have attributed no commercial value to the buildings under construction as mentioned in note 6 which have not obtained the Construction Work Commencement Permits. However, for reference purpose, we are of the opinion that the replacement cost of the aforesaid buildings (excluding the land) as at the valuation date would be RMB1,096,800,000, assuming the relevant Construction Work Commencement Permits have been obtained by the Project Company and the buildings could be freely transferred.
8. Pursuant to a Pre-sale Permit — Wu Fang Kai Yu Shou No. (2017) 550 in favour of the Project Company, the Project Company is entitled to sell portions of Phase IV of Wuhan Yuexiu International Financial Centre (representing a total gross floor area of approximately 95,856.38 sq.m.) to purchasers.
9. As advised by the Company and the Project Company, various residential and retail units with a total gross floor area of approximately 39,027.85 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB1,440,090,197. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the construction works of Phase IV of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB6,738,530,000.
11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB31,000 to RMB39,000 per sq.m. for residential units, RMB77,000 to RMB90,000 per sq.m. for retail units and RMB290,000 to RMB380,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
  - a. The Project Company is legally and validly in possession of the land use rights of the property by the means of grant and is the sole legal user of the land use rights of the property. Within the land use rights term, the Project Company has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the property in accordance with relevant land use rights grant contracts and the aforesaid State-owned Land Use Rights Certificates and in compliance with the provisions of the relevant mortgage contracts. The land premium has been fully paid;
  - b. The Project Company has obtained necessary approvals, permits and certificates for the current stage of the construction works of Phase IV of the property. As advised by the Company's PRC legal advisors, there is no evidence that the obtained approvals, permits and certificates of the construction works are abolished, modified, repealed or revoked;
  - c. The Project Company has obtained Pre-sale Permits for portion of Phase IV of the property and is entitled to pre-sale the prescribed pre-sale scope according to the Pre-sale Permits;

- d. The construction work of Phases III and V has been commenced at current stage but the relevant Construction Work Planning Permit and Construction Work Commencement Permit in relation to the construction work are still in process of application by the Project Company. However, relevant government authorities did not stop the construction work. As the current construction is in compliance with the land planning, also the development is a landmark project in Wuhan City as well as in Hubei Province, according to previous practice, there is no substantial impediment for the Project Company to obtain the relevant approvals and permits of the construction works subsequently; and
- e. The property is neither subject to any restrictions arising from any sequestration, mortgage or any other rights nor subject to any compulsory expropriation, litigation, dispute or other situation that may have material adverse effect on the property.
13. A summary of major certificates/approvals is shown as follows:
- |    |   |         |
|----|---|---------|
| a. | State-owned Land Use Rights Grant Contract                            | Yes     |
| b. | State-owned Land Use Rights Certificate/Real Estate Title Certificate | Yes     |
| c. | Building Ownership Certificate  | No      |
| d. | Construction Land Planning Permit                                     | Yes     |
| e. | Construction Work Planning Permit                                     | Portion |
| f. | Construction Work Commencement Permit                                 | Portion |
| g. | Pre-sale Permit   | Portion |
| h. | Construction Work Completion and Inspection Certificate/Table/Report  | No      |

## 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interest of Directors/ chief executive of the Company

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive (if any) of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

#### *Long positions in the Shares and underlying Shares*

Name of Director	Capacity in which interests are held	Number of Shares	% of the issued share capital of the Company as at the Latest Practicable Date
Lin Zhaoyuan	Beneficial owner	373,464	0.003%
Li Feng	Beneficial owner	172,900	0.001%
Yu Lup Fat Joseph	Beneficial owner	4,000,000	0.032%
Lee Ka Lun	Beneficial owner	3,200,000	0.026%
Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.039%

*Long positions in the shares and underlying shares of associated corporation*

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares in associated corporation	% of the issued share capital of associated corporation as at the Latest Practicable Date
Lau Hon Chuen Ambrose	Yuexiu Transport Infrastructure Limited	Beneficial owner	195,720	0.012%
Lin Zhaoyuan	Yuexiu Transport Infrastructure Limited	Beneficial owner	120	0.00001%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive (if any) of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive (if any) of the Company, companies and/or persons who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

*Long positions in the Shares and underlying Shares*

Name of Shareholder	Capacity in which interests are held	Number of Shares	% of the issued share capital of the Company as at the Latest Practicable Date
GZYYX <sup>(Note)</sup>	Interests of controlled corporations	6,159,447,662	49.67%
Yue Xiu Enterprises (Holdings) Limited	Interests of controlled corporations	6,159,447,662	49.67%



*Note:* Pursuant to the SFO, GZYG is deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which are set out below:

Name	Long position in Shares
Yue Xiu Enterprises (Holdings) Limited	6,159,447,662
Superb Master Ltd.	401,989,620
Excellence Enterprises Co., Ltd. (“ <b>Excellence</b> ”)	5,749,874,187
Bosworth International Limited (“ <b>Bosworth</b> ”) (Note i)	4,202,934,153
Sun Peak Enterprises Ltd. (“ <b>Sun Peak</b> ”)	978,065,907
Novena Pacific Limited (“ <b>Novena</b> ”) (Note ii)	978,065,907
Shine Wah Worldwide Limited (“ <b>Shine Wah</b> ”)	273,266,721
Morrison Pacific Limited (“ <b>Morrison</b> ”) (Note iii)	273,266,721
Perfect Goal Development Co., Ltd. (“ <b>Perfect Goal</b> ”)	234,689,273
Greenwood Pacific Limited (“ <b>Greenwood</b> ”) (Note iv)	234,689,273
Seaport Development Limited (“ <b>Seaport</b> ”)	60,918,133
Goldstock International Limited (“ <b>Goldstock</b> ”) (Note v)	60,918,133
Yue Xiu Finance Company Limited	7,583,855

*Notes:*

- (i) 4,202,934,153 Shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu Enterprises (Holdings) Limited.
- (ii) 978,065,907 Shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 273,266,721 Shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 234,689,273 Shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 60,918,133 Shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of the Company or any options in respect of such capital.

As at the Latest Practicable Date: (i) Mr. Zhang Zhaoxing is a director of GZYY, Yue Xiu Enterprises (Holdings) Limited, Bosworth and Novena; (ii) Mr. Zhu Chunxiu is a director of GZYY, Yue Xiu Enterprises (Holdings) Limited, Excellence and Bosworth; (iii) Mr. Lin Zhaoyuan is a director of Excellence and Bosworth; (iv) Mr. Li Feng is a director of Excellence and Bosworth; and (v) Ms. Chen Jing is a director of Excellence. Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had an interest in the Shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS**

#### **Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

#### **Interests in contracts**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

### **5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

### **6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, there was no litigation or claim of material importance pending or threatened by or against the Company or any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Group were made up to, up to and including the Latest Practicable Date.

**8. EXPERTS' QUALIFICATIONS AND CONSENT**

The following are qualifications of the expert who has given its opinion or advice which is included in this Circular:

<b>Name</b>	<b>Qualification</b>
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer and independent valuer
Yu Ming Investment Management Limited	a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, none of Jones Lang LaSalle Corporate Appraisal and Advisory Limited nor Yu Ming Investment Management Limited had any shareholding, directly or indirectly, in any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

Each of Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Yu Ming Investment Management Limited has given its written consent and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letters and/or reports and/or references to its name in the form and context in which they respectively appear.

**9. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong from the date of this Circular up to and including the date of the General Meeting:

- a) the articles of association of the Company;
- b) the letter from the Board, the text of which is set out on pages 5 to 16 of this Circular;
- c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 17 of this Circular;
- d) the letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 37 of this Circular;
- e) the valuation report dated 9 March 2018 in respect of the valuation of the Project Company as set out in Appendix IA of this Circular;
- f) the valuation report dated 9 March 2018 in respect of the valuation of the Property as set out in Appendix IB of this Circular;
- g) the written consent referred to in the paragraph headed “Experts’ Qualifications and Consent” in this appendix;
- h) the supplemental agreement to the Cooperation Agreement entered into between GZCJ and the JV Partner dated 14 February 2018;
- i) the Call Option Exercise Agreement;
- j) the Equity Transfer Agreement; and
- k) this Circular.

**10. MISCELLANEOUS**

The English texts of this Circular shall prevail over the Chinese texts.

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## NOTICE OF GENERAL MEETING

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# 越秀地產股份有限公司 YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting (the “**Meeting**”) of Yuexiu Property Company Limited (the “**Company**”) will be held at Plaza I - IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 27 March 2018 at 4:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions. Words and expressions that are not expressly defined in this notice of general meeting shall bear the same meaning as that defined in the circular to the shareholders of the Company dated 9 March 2018 (the “**Circular**”).

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the exercise of the Call Option (including the entering into of the Call Option Exercise Agreement and the Equity Transfer Agreement) and the consummation of transactions contemplated thereunder as more particularly described in the Circular and on the terms and conditions set out in the supplemental agreement to the Cooperation Agreement dated 14 February 2018 entered into between GZCJ and the JV Partner, the Call Option Exercise Agreement and the Equity Transfer Agreement be hereby approved, ratified and confirmed; and
- (b) authorization be granted to the Company and any one Director to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as the Company, such Director or, as the case may be, the Board may consider necessary, desirable or expedient or in the interest of the Company to give effect to the terms of the matters contemplated under the Call Option Exercise Agreement and the Equity Transfer Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.”

2. “**THAT** Ms. Chen Jing be re-elected as an executive Director.”

By order of the Board  
**Yuexiu Property Company Limited**  
**Yu Tat Fung**  
*Company Secretary*

Hong Kong, 9 March 2018

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## NOTICE OF GENERAL MEETING

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*Registered Office:*

26th Floor, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

*Notes:*

- 1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- 2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- 3) In order to be valid, the completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
- 4) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- 5) Where there are joint registered holders of any share, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the share(s) shall be accepted to the exclusion of the votes of the other joint registered holders.
- 6) The register of members of the Company will be closed from Friday, 23 March 2018 to Tuesday, 27 March 2018, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the general meeting of the Company to be held on Tuesday, 27 March 2018, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 22 March 2018.

*As at the date of this notice, the Board comprises:*

*Executive Directors:* ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan, LI Feng and CHEN Jing

*Independent Non-executive Directors:* YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose