THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult 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).

越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGZHOU ZHONGJING HUIFU REAL ESTATE DEVELOPMENT CO., LTD*;

(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ALL OF THE ISSUED SHARES OF TALENT SKY ENTERPRISES LIMITED;

(3) NOTICE OF GENERAL MEETING; AND

(4) CLOSURE OF REGISTER OF MEMBERS

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

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

A notice convening the GM (as defined herein) of Yuexiu Property Company Limited to be held at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 9 December 2016 at 10:30 a.m. is set out on pages GM-1 to GM-3 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.

23 November 2016

CONTENTS

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

"Announcement"	the announcement of the Company dated 7 November 2016 in relation to, among other things, the Nansha Equity Transfer and the Talent Sky Disposal
"Assignment of Nansha Loan"	the assignment of the Nansha Loan on a dollar-for-dollar basis by the Nansha Acquisition Seller to the Nansha Acquisition Purchaser pursuant to the Nansha Equity Transfer Agreement
"Assignment of Talent Sky Loan"	the assignment of the Talent Sky Loan on a dollar-for-dollar basis by the Talent Sky Disposal Seller to the Talent Sky Disposal Purchaser pursuant to the terms of the Talent Sky SPA
"associate(s)"	has the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	means a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong and the PRC
"Circular"	this circular in relation to, among others, the Nansha Acquisition and the Talent Sky Disposal issued by the Company in accordance with the Listing Rules
"Company"	Yuexiu Property Company Limited, a company 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) and on the Singapore Exchange Securities Trading Limited
"Completion Date"	the date on which completion of the Transactions take place, which shall be a date agreed in writing between the Nansha Acquisition Purchaser and the Nansha Acquisition Seller, and between the Talent Sky Disposal Purchaser and the Talent Sky Disposal Seller, respectively
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning as ascribed to it under the Listing Rules
"Directors"	the directors of the Company

"GCCD"	Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司), a company incorporated in the PRC with limited liability and which is indirectly owned as to 95% by the Company and as to 5% by GZYX
"GM"	the general meeting of the Company to be convened to consider and, if thought fit, approve the Transactions
"Group"	the Company and its subsidiaries
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel"	the hotel known as "The South China Hotel (粵華酒店)" situated at 67-75 Java Road, North Point, Hong Kong
"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 Transactions
"Independent Financial Adviser" or "Yu Ming"	Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
"Independent Shareholders"	Shareholders other than YXE, GZYX and their respective associates
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Independent Valuer"	Greater China Appraisal Limited
"Latest Practicable Date"	17 November 2016, 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 of Hong Kong Limited
"Long Stop Date"	30 December 2016
"Nansha Acquisition"	collectively, the Nansha Equity Transfer and the Assignment of Nansha Loan
"Nansha Acquisition Company"	Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd* (廣州中璟慧富房地產開發有限公司), a company incorporated in the PRC with limited liability and which is a wholly-owned subsidiary of GZYX
"Nansha Acquisition Completion"	the completion of the Nansha Equity Transfer and the Assignment of Nansha Loan in accordance with the Nansha Equity Transfer Agreement
"Nansha Acquisition Purchaser"	Guangzhou Su Rong Industrial Development Co., Ltd.* (廣州速榮實業發展有限公司), a company incorporated in the PRC with limited liability and which is a wholly-owned subsidiary of GCCD
"Nansha Acquisition Seller" or "GZYX"	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團有限公司), a company incorporated in the PRC with limited liability, which is beneficially wholly-owned by the Guangzhou Municipal People's Government of the PRC and which is the ultimate controlling shareholder of the Company
"Nansha Acquisition Total Consideration"	the sum of the Nansha Equity Transfer Consideration and the Nansha Loan Consideration
"Nansha Equity Transfer Agreement"	the equity transfer agreement entered into between the Nansha Acquisition Seller and the Nansha Acquisition Purchaser dated 7 November 2016 regarding the Nansha Equity Transfer and the Assignment of the Nansha Loan
"Nansha Equity Transfer Conditions"	the conditions precedent to the Nansha Acquisition Completion set out in the section headed "(1) Discloseable and Connected Transaction in Relation to the Proposed Acquisition of the Entire Equity Interest of Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd - Nansha Equity Transfer Agreement - Conditions precedent" in this Circular
"Nansha Equity Transfer"	the transfer of the entire equity interest in the Nansha Acquisition Company by the Nansha Acquisition Seller to the Nansha Acquisition Purchaser pursuant to the Nansha Equity Transfer Agreement

"Nansha Equity Transfer Consideration"	RMB1,396,247,800, being the consideration for the Nansha Equity Transfer payable by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller
"Nansha Land Parcel"	the parcel of land for commercial and residential use as phase 16 of Yitao Wanguo Garden (逸濤萬國園) located at Huanshi Avenue North, Nansha District, Guangzhou City, Guangdong Province, the PRC
"Nansha Loan"	the entire amount owing from the Nansha Acquisition Company to the Nansha Acquisition Seller as at the date of the Nansha Acquisition Completion
"Nansha Loan Consideration"	an amount equal to the amount of the Nansha Loan, being the consideration for the Assignment of the Nansha Loan payable by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller
"Nansha Project"	a residential project to be constructed on the Nansha Land Parcel, as more particularly described in the section headed "Information on the Nansha Acquisition Company and the Nansha Project - The Nansha Project" in the "Letter from the Board" in this Circular
"PRC"	the People's Republic of China and for the purpose of this Circular excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Registration Date"	has the meaning as ascribed to it in the section headed "(1) Discloseable and Connected Transaction in relation to the Proposed Acquisition of the Entire Equity Interest in Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd. - Nansha Equity Transfer Agreement - Completion of the Nansha Acquisition" in the "Letter from the Board" in this Circular
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"Shareholders"	holders of the shares of the Company
"Talent Sky Disposal"	collectively, the sale and purchase of the Talent Sky Disposal Share and the Assignment of Talent Sky Loan in accordance with the Talent Sky SPA

"Talent Sky Disposal Company"	Talent Sky Enterprises Limited, a limited liability company incorporated in the British Virgin Islands and which is a wholly-owned subsidiary of the Talent Sky Disposal Seller
"Talent Sky Disposal Completion"	the completion of the Talent Sky Disposal in accordance with the Talent Sky SPA
"Talent Sky Disposal Conditions"	the conditions precedent to the Talent Sky Disposal Completion set out in the section headed "(2) Discloseable and Connected Transaction in Relation to the Talent Sky Disposal of all of the Issued Shares of Talent Sky Enterprises Limited - Talent Sky SPA - Conditions precedent" in the "Letter from the Board" in this Circular
"Talent Sky Disposal Group"	collectively, the Talent Sky Disposal Company and Techcon
"Talent Sky Disposal Purchaser" or "YXE"	Yue Xiu Enterprises (Holdings) Limited, a limited liability company incorporated in Hong Kong and which is a wholly-owned subsidiary of GZYX
"Talent Sky Disposal Seller"	Top Million Group Ltd., a company incorporated in the British Virgin Islands and which is a wholly-owned subsidiary of the Company
"Talent Sky Disposal Total Consideration"	the sum of the Talent Sky Share Consideration and the Talent Sky Loan Consideration
"Talent Sky Disposal Share"	one share representing all of the issued shares in the capital of the Talent Sky Disposal Company, to which the entire amount of share capital of the Company is attributable
"Talent Sky Loan"	the net amount owing in HK$ from the Talent Sky Disposal Company to the Talent Sky Disposal Seller as at the Completion Date
"Talent Sky Loan Consideration"	an amount equal to the amount of the Talent Sky Loan
"Talent Sky Share Consideration"	an amount equal to HK$309,194,000
"Talent Sky SPA"	the agreement for the sale and purchase of all the issued shares in the capital of the Talent Sky Disposal Company dated 7 November 2016 entered into between the Talent Sky Disposal Purchaser and the Talent Sky Disposal Seller regarding the sale and purchase of the Talent Sky Disposal Share and the Assignment of Talent Sky Loan
"Techcon"	Techcon Investment Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of Talent Sky

"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transactions"	collectively, the Talent Sky Disposal and the Nansha Acquisition
"%"	per cent.

** For identification purpose only*

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
OU Junming
OU Shao

Independent non-executive Director:
YU Lup Fat Joseph
LEE Ka Lun
LAU Hon Chuen Ambrose

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

23 November 2016

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGZHOU ZHONGJING HUIFU REAL ESTATE DEVELOPMENT CO., LTD*;

(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ALL OF THE ISSUED SHARES OF TALENT SKY ENTERPRISES LIMITED;

(3) NOTICE OF GENERAL MEETING; AND

(4) CLOSURE OF REGISTER OF MEMBERS

INTRODUCTION

Reference is made to the Announcement.

On 7 November 2016:

(1) the Nansha Acquisition Seller and the Nansha Acquisition Purchaser entered into the Nansha Equity Transfer Agreement pursuant to which:

(a) the Nansha Acquisition Seller agreed to sell, and the Nansha Acquisition Purchaser agreed to purchase, the entire equity interest in the Nansha Acquisition Company for a consideration of RMB1,396,247,800; and

(b) the Nansha Acquisition Seller agreed, and the Nansha Acquisition Purchaser agreed to accept the assignment of, the Nansha Loan, the amount of which as at the Latest Practicable Date was RMB1,191,752,260.39, on a dollar-for-dollar basis;

as such, the total consideration payable by the Nansha Acquisition Purchaser for the Nansha Acquisition is RMB2,588,000,060.39; and

(2) the Talent Sky Disposal Seller and the Talent Sky Disposal Purchaser entered into the Talent Sky SPA pursuant to which:

(a) the Talent Sky Disposal Seller agreed to sell, and the Talent Sky Disposal Purchaser agreed to purchase, the Talent Sky Disposal Share for a consideration of HK$309,194,000; and

(b) the Talent Sky Disposal Seller agreed to assign, and the Talent Sky Disposal Purchaser agreed to accept the assignment of, the Talent Sky Loan on a dollar-for-dollar basis, the amount of which as at the Latest Practicable Date was HK$334,963,878.20; as such, the total consideration payable by the Talent Sky Disposal Purchaser for the Talent Sky Disposal is HK$644,157,878.20.

The Nansha Acquisition Completion and the Talent Sky Disposal Completion are inter-conditional and shall take place simultaneously.

The purpose of this Circular is to provide you with, among other things: (i) further information regarding the Transactions; (ii) the recommendation of the Independent Board Committee on the Transactions; (iii) a letter of advice from the Independent Financial Adviser in respect of the Transactions; (iv) other information as required by the Listing Rules; and (v) the notice of the GM.

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGZHOU ZHONGJING HUIFU REAL ESTATE DEVELOPMENT CO., LTD

Nansha Equity Transfer Agreement

The principal terms of the Nansha Equity Transfer Agreement are set out below:

Date

7 November 2016

Parties

The Nansha Acquisition Seller (as seller) and the Nansha Acquisition Purchaser (as purchaser)

Asset to be acquired

Pursuant to the Nansha Equity Transfer Agreement: (i) the Nansha Acquisition Seller agreed to sell, and the Nansha Acquisition Purchaser agreed to purchase, the entire equity interest in the Nansha Acquisition Company; and (ii) the Nansha Acquisition Seller agreed to assign to the Nansha Acquisition Purchaser, and the Nansha Acquisition Purchaser agreed to accept the assignment of, the Nansha Loan on a dollar-for-dollar basis. The original acquisition cost of the assets to be acquired by the Nansha Acquisition Purchaser pursuant to the Nansha Equity Transfer Agreement was approximately RMB2,132,831,440.

Consideration and payment terms

The Nansha Equity Transfer Consideration of RMB1,396,247,800 shall be payable in full by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller on the date of the Nansha Acquisition Completion.

As at the Latest Practicable Date, the entire amount owing from the Nansha Acquisition Company to the Nansha Acquisition Seller is RMB1,191,752,260.39. Based on the assumption that the entire amount owing from the Nansha Acquisition Company to the Nansha Acquisition Seller as at the date of the Nansha Acquisition Completion is the same as that as at the Latest Practicable Date, the Nansha Loan Consideration payable by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller, being the amount of the Nansha Loan to be assigned, shall be RMB1,191,752,260.39. The Nansha Loan Consideration shall be paid by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller in full within three Business Days of the Registration Date.

Conditions Precedent

Completion of the Nansha Equity Transfer is conditional on the satisfaction (or waiver, if applicable) of the following conditions precedent (each a "**Nansha Equity Transfer Condition**"):

(a) the Shareholders having passed all necessary resolutions at the GM to approve the Nansha Equity Transfer Agreement and the transactions contemplated thereunder;

(b) the Shareholders having passed all necessary resolutions at the GM to approve the Talent Sky SPA and the transactions contemplated thereunder;

(c) the conditions precedent under the Talent Sky SPA having been satisfied or waived in accordance with the Talent Sky SPA; and

(d) the warranties under the Nansha Equity Transfer Agreement remaining true and accurate in all material respects as at the completion of the Nansha Equity Transfer.

The Nansha Acquisition Purchaser may in its absolute discretion waive the Nansha Equity Transfer Condition in (d) above either in whole or in part at any time by notice in writing to the Nansha Acquisition Seller.

As at the Latest Practicable Date, none of the Nansha Equity Transfer Conditions had been satisfied.

In the event that any of the Nansha Equity Transfer Conditions shall not have been fulfilled (or waived, if applicable) prior to 30 December 2016 (or such other date as the Nansha Acquisition Purchaser and the Nansha Acquisition Seller may agree), then the Nansha Acquisition Purchaser and the Nansha Acquisition Seller shall not be bound to proceed with the Nansha Equity Transfer or the Assignment of the Nansha Loan, and the Nansha Equity Transfer Agreement shall automatically terminate and cease to be of any effect.

The Nansha Acquisition Completion (including both the Nansha Equity Transfer and the Assignment of the Nansha Loan) and the Talent Sky Disposal Completion are inter-conditional, and the Nansha Acquisition Purchaser and the Nansha Acquisition Seller shall not be obliged to carry out Nansha Acquisition Completion unless Talent Sky Disposal Completion occurs simultaneously.

Completion of the Nansha Acquisition

The Nansha Acquisition Completion shall take place on the Completion Date, which shall be a date agreed in writing between the Nansha Acquisition Purchaser and the Nansha Acquisition Seller following the satisfaction (or waiver, if applicable) of each of the Nansha Equity Transfer Conditions, and such date shall be the same date as the date of the Talent Sky Disposal Completion.

After the Nansha Acquisition Completion has taken place, the Nansha Acquisition Purchaser shall arrange for the registration of the Nansha Equity Transfer with the State Administration for Industrial and Commercial of the PRC or its relevant local counterpart (the date on which such registration takes place is referred to as the "Registration Date").

Termination

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

(a) the Talent Sky Disposal Completion not being able to occur simultaneously; or

(b) termination pursuant to any applicable laws, rules and regulations or pursuant to other terms of the Nansha Equity Transfer Agreement.

In the event that the Talent Sky SPA is terminated in accordance with its terms, the Nansha Equity Transfer Agreement shall automatically terminate forthwith.

In the event that the Nansha Equity Transfer Consideration (or any part thereof) is overdue for more than 30 days, the Nansha Acquisition Seller may terminate the Nansha Equity Transfer Agreement. The Nansha Equity Transfer Agreement and all of the transaction documents contemplated thereunder shall terminate on the date of receipt by the Nansha Acquisition Purchaser of the written notice of termination issued by the Nansha Acquisition Seller. In such event, the Nansha Acquisition Seller shall be entitled to compensation for all losses from the Nansha Acquisition Purchaser.

Basis of determination of the Nansha Acquisition Total Consideration

The Nansha Acquisition Total Consideration is estimated to be RMB2,588,000,060.39 (assuming that the net amount owing from the Nansha Acquisition Company to the Nansha Acquisition Seller as at the date of the Nansha Acquisition Completion is the same as that as at the Latest Practicable Date). The Nansha Equity Transfer Consideration was determined with reference to, and represents a discount of approximately 8.9% to, the fair value of the Nansha Acquisition Company as at 31 August 2016 of approximately RMB1,532,527,000 as valued by the Independent Valuer using the asset approach and on the basis that the fair value is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. On the other hand, the Nansha Loan Consideration represents the dollar-for-dollar value of the Nansha Loan.

The Directors (including the independent non-executive Directors) consider that the Nansha Acquisition Total Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Financial Effects of the Nansha Acquisition

Following the Nansha Acquisition Completion, the Nansha Acquisition Company will become an indirect 95%-owned subsidiary of the Company, and the accounts of the Nansha Acquisition Company will be consolidated into those of the Company.

Information on the Nansha Acquisition Company and the Nansha Project

The Nansha Acquisition Company

The Nansha Acquisition Company is the current legal owner of the land use rights of Nansha Land Parcel on which the Nansha Project will be constructed.

The unaudited consolidated financial information of the Nansha Acquisition Company for the financial years ended 31 December 2014 and 31 December 2015 and the eight months ended 31 August 2016, respectively, is as follows:

	For the financial year ended 31 December 2014 *RMB'000*	**For the financial year ended 31 December 2015** *RMB'000*	**For the eight months ended 31 August 2016** *RMB'000*
Revenue	Nil	Nil	Nil
Net profit/(loss) before taxation	Nil	(1,359)	(203)
Net profit/(loss) after taxation	Nil	(1,359)	(203)

The total assets and the net asset value of the Nansha Acquisition Company as at 31 August 2016 were RMB1,204,917,668 and RMB2,598,480, respectively.

The Nansha Project

The Nansha Project to be constructed on the Nansha Land Parcel will be a residential project with a total gross floor area of approximately 928,590 sq.m., among which: (i) the total permitted residential gross floor area is approximately 692,637 sq.m.; (ii) the gross floor area of the basement is approximately 166,578 sq.m. (of which the saleable gross floor area is approximately 57,500 sq.m.); and (iii) the gross floor area of public facilities and other supporting facilities is approximately 69,375 sq.m.

The Nansha Project is situated at the Jiaomen River city centre area in the heart of the Nansha District in Guangzhou city, and is close to the main road in the Nansha District. This area focuses on the development of the urban comprehensive service functions, and its development plans include large urban support facilities such as hotels, hospitals and schools. The Nansha Project is also close to Jinzhou, which is a developed business district, and therefore has substantial potential for appreciation in value.

Information on the Nansha Acquisition Company, the Nansha Acquisition Seller and the Nansha Acquisition Purchaser

The Nansha Acquisition Seller

The Nansha Acquisition Seller, through its various subsidiaries, engages in various businesses including (among others) financial business, property development, infrastructure, construction and others.

The Nansha Acquisition Purchaser

The Nansha Acquisition Purchaser is an investment holding company.

(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ALL OF THE ISSUED SHARES OF TALENT SKY ENTERPRISES LIMITED

TALENT SKY SPA

The principal terms of the Talent Sky SPA are set out below:

Date

7 November 2016

Parties

The Talent Sky Disposal Seller (as seller) and the Talent Sky Disposal Purchaser (as purchaser)

Asset to be disposed of

Pursuant to the Talent Sky SPA: (i) the Talent Sky Disposal Seller agreed to sell, and the Talent Sky Disposal Purchaser agreed to purchase, the Talent Sky Disposal Share, being all of the issued shares in the capital of the Talent Sky Disposal Company; and (ii) the Talent Sky Disposal Seller agreed to assign to the Talent Sky Disposal Purchaser, and the Talent Sky Disposal Purchaser agreed to accept the assignment of, the Talent Sky Loan on a dollar-for-dollar basis. The original acquisition cost of the assets to be disposed of by the Talent Sky Disposal Seller pursuant to the Talent Sky SPA was approximately HK$400,000,000.

Consideration and payment terms

The total price for the Talent Sky Disposal Share to be paid by the Talent Sky Disposal Purchaser to the Talent Sky Disposal Seller is the Talent Sky Share Consideration of HK$309,194,000.

The total price for the assignment of the Talent Sky Loan to be paid by the Talent Sky Disposal Purchaser to the Talent Sky Disposal Seller is the Talent Sky Loan Consideration. As at the Latest Practicable Date, the entire amount owing from the Talent Sky Disposal Company to the Talent Sky Disposal Seller is HK$334,963,878.20.

The Talent Sky Disposal Total Consideration of HK$644,157,878.20 (being the sum of the Talent Sky Share Consideration and the Talent Sky Loan Consideration) shall be paid on the date of Talent Sky Disposal Completion.

Conditions Precedent

Talent Sky Disposal Completion is conditional on the satisfaction (or waiver, if applicable) of the following conditions precedent (each a "**Talent Sky Disposal Condition**"):

(a) the Shareholders having passed all necessary resolutions at the GM to approve the Talent Sky SPA and the transactions contemplated thereunder;

(b) the Shareholders having passed all necessary resolutions at the GM to approve the Nansha Equity Transfer Agreement and the transactions contemplated thereunder;

(c) the conditions precedent under the Nansha Equity Transfer Agreement having been satisfied or waived in accordance with the Nansha Equity Transfer Agreement; and

(d) the warranties under the Talent Sky SPA remaining true and accurate in all material respects as at Talent Sky Disposal Completion.

The Talent Sky Disposal Purchaser may in its absolute discretion waive the Talent Sky Disposal Condition in (d) above either in whole or in part at any time by notice in writing to the Talent Sky Disposal Seller.

As at the Latest Practicable Date, none of the Talent Sky Disposal Conditions had been satisfied. So far as is known by the Directors as at the Latest Practicable Date, the Talent Sky Disposal Purchaser does not intend to waive the Talent Sky Disposal Condition in (d) above.

In the event that any of the Talent Sky Disposal Conditions shall not have been fulfilled (or waived, if applicable) prior to 30 December 2016 (or such other date as the Talent Sky Disposal Purchaser and the Talent Sky Disposal Seller may agree in writing), then the Talent Sky Disposal Purchaser and the Talent Sky Disposal Seller shall not be bound to proceed with the sale of the Talent Sky Disposal Share or assignment of the Talent Sky Loan, and the Talent Sky SPA shall terminate and cease to be of any effect.

The Nansha Acquisition Completion and the Talent Sky Disposal Completion are inter-conditional, and the Talent Sky Disposal Purchaser and the Talent Sky Disposal Seller shall not be obliged to carry out the Talent Sky Disposal Completion unless the Nansha Acquisition Completion occurs simultaneously.

Completion

Talent Sky Disposal Completion shall take place on a date agreed in writing between the Talent Sky Disposal Purchaser and the Talent Sky Disposal Seller following the satisfaction (or waiver, if applicable) of each of the Talent Sky Disposal Conditions, and such date shall be the same date as the date of the Nansha Acquisition Completion.

Indemnity

The Talent Sky Disposal Seller agrees to indemnify the Talent Sky Disposal Purchaser against all losses, damages, costs, actions, proceedings, claims, demands and expenses suffered by the Talent Sky Disposal Purchaser as a result of or in connection with any breach of the warranties given by the defaulting party.

Termination

The Talent Sky Disposal Purchaser may, by written notice given to the Talent Sky Disposal Seller at Talent Sky Disposal Completion or any time prior to Talent Sky Disposal Completion, terminate the Talent Sky SPA without liability on its part if any fact, matter or event comes to the notice of the Talent Sky Disposal Purchaser at Completion or any time prior to Talent Sky Disposal Completion which would constitute a material breach of any of the warranties at the time it is given.

In the event that the Nansha Equity Transfer Agreement is terminated in accordance with its terms, the Talent Sky SPA shall automatically terminate forthwith.

If at any time after the date of the Talent Sky SPA but prior to Talent Sky Disposal Completion either party to the Talent Sky SPA commits any breach of or omits to observe any of its material obligations or undertakings on its part under the Talent Sky SPA, then the non-defaulting party may, by notice in writing to the other party, forthwith terminate the Talent Sky SPA.

Basis of determination of the Talent Sky Disposal Total Consideration

The Talent Sky Disposal Total Consideration is estimated to be HK$644,157,878.20 (assuming that the net amount owing from the Talent Sky Disposal Company to the Talent Sky Disposal Seller as at the Completion Date is the same as that as at the Latest Practicable Date). The Talent Sky Share Consideration is equal to the fair value of the Talent Sky Disposal Company as at 31 August 2016 of approximately HK$309,194,000 as valued by the Independent Valuer using the asset approach and on the basis that the fair value is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. On the other hand, the Talent Sky Loan Consideration represents the dollar-for-dollar value of the Talent Sky Loan.

The Directors (including the independent non-executive Directors) consider that the Talent Sky Disposal Total Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Financial Effects of the Talent Sky Disposal

The Group is expected to a record a gain (after tax) of approximately HK$265,000,000 (being the amount equal to the Talent Sky Share Consideration minus: (i) the net asset value of the Talent Sky Disposal Group as at 31 August 2016 of HK$41,147,000 and (ii) the estimated expenses in relation to the Talent Sky Disposal) as a result of the Talent Sky Disposal. Following the Talent Sky Disposal Completion, the Company will cease to have any interest in the Talent Sky Disposal Company, as such, the Talent Sky Disposal Company will cease to be a subsidiary of the Company and the financial results of the Talent Sky Disposal Company will cease to be consolidated into those of the Company.

As a result of the Talent Sky Disposal, each of the total assets and the net assets of the Group are expected to increase by RMB235,000,000 respectively.

Use of Proceeds

It is expected that the net proceeds from the Talent Sky Disposal will be used for the replenishment of the Group's working capital.

Information on the Talent Sky Disposal Company and the Hotel

The Talent Sky Disposal Company

The Talent Sky Disposal Company is an investment holding company. It is the legal and beneficial owner of all of the issued shares of Techcon, which is in turn the registered owner of the Hotel.

The unaudited consolidated financial information of the Talent Sky Disposal Company for the financial years ended 31 December 2014 and 31 December 2015 and the eight months ended 31 August 2016, respectively, is as follows:

	For the financial year ended 31 December 2014 HK$'000	For the financial year ended 31 December 2015 HK$'000	For the eight months ended 31 August 2016 HK$'000
Revenue	50,396	36,509	19,060
Net profit/(loss) before taxation	17,641	9,553	(791)
Net profit/(loss) after taxation	17,312	9,842	(791)

The total assets and the net asset value of the Talent Sky Disposal Group as at 31 August 2016 were HK$394,635,000 and HK$41,147,000, respectively.

The Hotel

The Hotel is a 21-storey hotel known as "The South China Hotel (粵華酒店)", which has a total of 202 rooms comprising standard and executive rooms, and is located at the area of the eastern district of the Hong Kong Island (situated at 67-75 Java Road, North Point). The Hotel has a total gross floor area of 7,022.682 sq.m.

Information on the Company, the Talent Sky Disposal Seller and the Talent Sky Disposal Purchaser

The Company

The Company 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.

The Talent Sky Disposal Seller

The Talent Sky Disposal Seller is an investment holding company.

The Talent Sky Disposal Purchaser

The Talent Sky Disposal Purchaser is a wholly-owned subsidiary of GZYX and, through its various subsidiaries, engages in various businesses including (among others) financial business, property development, infrastructure, construction and others.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Nansha Project (as more particularly described in the section headed "Information on the Nansha Acquisition Company and the Nansha Project - The Nansha Project" above) is located in the Nansha District of Guangzhou City, which is now a state free trade zone and a state new district. In 2016, the Nansha District was named the "second city centre" by the Guangzhou municipal government, hence the Nansha District has vast potential for future development. The Nansha Project is of a relatively large scale, has obvious geographical advantages, and thus has relatively great development potential. The Nansha Acquisition will further increase the high-quality land reserves of the Group and will increase the Group's overall land reserves from approximately 14,640,000 sq.m to approximately 15,570,000 sq.m, thereby strengthening the core property business of the Group and solidifying the leading position of the Group in the Guangzhou property market. The further increase in land reserves in the Nansha District of Guangzhou City upon completion of the Nansha Acquisition from approximately 1,928,000 sq.m. to approximately 2,860,000 sq.m. will be beneficial to the stable growth of the core business of the Group. As such, the Nansha Acquisition 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.

The Hotel's business performance in 2015 and for the first eight months of 2016 has not been strong, and it is anticipated that the business environment in respect of the Hotel in 2017 will not materially change. Reconstruction of the Hotel will take a relatively long time, and it is difficult to implement such reconstruction in the short to mid term. As such, disposing of the Hotel to the Company's controlling shareholder at fair value will enable the Company to realise reasonable profit. At the same time, incorporating the cash received from such disposal into the Company's working capital will also be beneficial to the Company in potential acquisitions of other quality projects in the future and will increase the efficiency of utilisation of financial recourses of the Group.

In view of the above, the Company considers that Transactions as a whole are beneficial to the overall development of the Group's business and will create value for the Shareholders.

Taking into account the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of GZYX and YXE (being a direct wholly-owned subsidiary of GZYX) is a controlling shareholder of the Company and therefore a connected person of the Company. As such, each of the Nansha Acquisition and the Talent Sky Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the Nansha Acquisition and the Talent Sky Disposal are inter-conditional, they will be regarded as one transaction involving both an acquisition and a disposal under Rule 14.24 of the Listing Rules. Accordingly, the Company will classify the transaction by reference to the percentage ratios of the Nansha Acquisition, being the larger of the percentage ratios of the Nansha Acquisition and the Talent Sky Disposal, and will comply with the applicable requirements of the Listing Rules based on such classification. As the highest applicable percentage ratio in respect of the Nansha Acquisition is more than 5% but less than 25%, the Transactions are subject to the approval of the Independent Shareholders at the GM under the Chapter 14 and Chapter 14A of the Listing Rules.

GZYX and its associates (which include YXE) hold an aggregate of 6,159,447,662 Shares in the Company, representing approximately 49.67% of all of the issued Shares of the Company as at the Latest Practicable Date. As YXE and GZYX are parties to the Transactions, in view that the Nansha Acquisition and the Talent Sky Disposal are inter-conditional, each of YXE and GZYX and its respective associates will abstain from voting at the GM in respect of the proposed resolutions to approve each of the Nansha Acquisition and the Talent Sky Disposal.

As none of the Directors had a material interest in any of the Transactions, no Director has abstained from voting on the relevant board resolutions of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 December 2016 to 9 December 2016 (both days inclusive), during which no transfer of Shares will be effected, to determine the eligibility of the Shareholders to participate in the GM. For Shareholders not already on the register of the members of the Company, in order to qualify to attend and vote at the GM, all transfer(s) of Share(s) (together with the relevant Share certificate(s)) must be lodged with 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 7 December 2016.

GM

The GM will be held at 10:30 a.m. on 9 December 2016 at Plaza III & 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 GM, which is set out on pages GM-1 to GM-3 of this Circular. Whether or not you are able or intend to attend and vote at the GM in person, you are requested to complete and return the enclosed form of proxy to the Company's 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 GM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the GM or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

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

As disclosed above, each of YXE and GZYX and its respective associates will abstain from voting at the GM in respect of the proposed resolutions to approve each of the Transactions. 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 Nansha Acquisition and the Talent Sky Disposal, therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the GM.

You can vote at the GM if you are an Independent Shareholder on 9 December 2016, which is referred to in this Circular as the record date. You will find enclosed with this Circular the notice of the GM (please refer to pages GM-1 to GM-3 in this Circular) and a form of proxy for use for the GM.

VOTING BY POLL

All the resolutions set out in the notice of the GM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company. On a poll, every 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 GM, the poll results will be published on the website of the Stock Exchange at 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 the respective terms of the Nansha Acquisition and the Talent Sky Disposal are on normal commercial terms, fair and reasonable and 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 GM.

ADDITIONAL INFORMATION

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

Shareholders and potential investors of the Company should be aware that the Transactions are subject to certain conditions being satisfied, therefore the Transactions may or may not proceed. 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

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

(Incorporated in Hong Kong with limited liability)
(Stock code: 00123)

23 November 2016

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGZHOU ZHONGJING HUIFU REAL ESTATE DEVELOPMENT CO., LTD*;
AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ALL OF THE ISSUED SHARES OF TALENT SKY ENTERPRISES LIMITED**

We refer to the circular issued by the Company to its shareholders dated 23 November 2016 (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 Transactions, 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 Transactions. 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 21 to 41 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 Transactions, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that: (i) the Nansha Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group and the terms of the Nansha Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole; and (ii) having considered the reasons and benefits in respect of the Talent Sky Disposal as disclosed in the "Letter from the Board" in the Circular, although the Talent Sky Disposal is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, its terms are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the GM to approve the Transactions.

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

The following is the full text of a letter of advice from Yu Ming to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, which has been prepared for the purpose of inclusion in this circular.

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

23 November 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGZHOU ZHONGJING HUIFU REAL ESTATE DEVELOPMENT CO., LTD; AND

(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF ALL OF THE ISSUED SHARES OF TALENT SKY ENTERPRISES LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 7 November 2016 in connection with the Nansha Acquisition and the Talent Sky Disposal and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" (the "**Letter**") in the circular of the Company dated 23 November 2016 (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.

On 7 November 2016:

(1) the Nansha Acquisition Seller and the Nansha Acquisition Purchaser entered into the Nansha Equity Transfer Agreement pursuant to which:

(a) the Nansha Acquisition Seller agreed to sell, and the Nansha Acquisition Purchaser agreed to purchase, the entire equity interest in the Nansha Acquisition Company for a consideration of RMB1,396,247,800; and

(b) the Nansha Acquisition Seller agreed, and the Nansha Acquisition Purchaser agreed to accept the assignment of, the Nansha Loan, the amount of which as at the Latest Practicable Date was RMB1,191,752,260.39, on a dollar-for-dollar basis;

as such, the total consideration payable by the Nansha Acquisition Purchaser for the Nansha Acquisition is RMB2,588,000,060.39; and

(2) the Talent Sky Disposal Seller and the Talent Sky Disposal Purchaser entered into the Talent Sky SPA pursuant to which:

(a) the Talent Sky Disposal Seller agreed to sell, and the Talent Sky Disposal Purchaser agreed to purchase, the Talent Sky Disposal Share for a consideration of HK$309,194,000; and

(b) the Talent Sky Disposal Seller agreed to assign, and the Talent Sky Disposal Purchaser agreed to accept the assignment of, the Talent Sky Loan on a dollar-for-dollar basis, the amount of which as at the Latest Practicable Date was HK$334,963,878.20; as such, the total consideration payable by the Talent Sky Disposal Purchaser for the Talent Sky Disposal is HK$644,157,878.20.

The Nansha Acquisition Completion and the Talent Sky Disposal Completion are inter-conditional and shall take place simultaneously.

Each of GZYX and YXE (being a direct wholly-owned subsidiary of GZYX) is a controlling shareholder of the Company and therefore a connected person of the Company. As such, each of the Nansha Acquisition and the Talent Sky Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the Nansha Acquisition and the Talent Sky Disposal are inter-conditional, they will be regarded as one transaction involving both an acquisition and a disposal under Rule 14.24 of the Listing Rules. Accordingly, the Company will classify the transaction by reference to the percentage ratios of the Nansha Acquisition, being the larger of the percentage ratios of the Nansha Acquisition and the Talent Sky Disposal, and will comply with the applicable requirements of the Listing Rules based on such classification. As the highest applicable percentage ratio in respect of the Nansha Acquisition is more than 5% but less than 25%, the Transactions are subject to the approval of the Independent Shareholders at the GM under the Chapter 14 and Chapter 14A of the Listing Rules.

GZYX and its associates (which include YXE) hold an aggregate of 6,159,447,662 shares in the Company, representing approximately 49.67% of all of the issued shares of the Company as at the Latest Practicable Date. As YXE and GZYX are parties to the Transactions, in view that the Nansha Acquisition and the Talent Sky Disposal are inter-conditional, each of YXE and GZYX and its respective associates will abstain from voting at the GM in respect of the proposed resolutions to approve each of the Nansha Acquisition and the Talent Sky Disposal.

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 Nansha Acquisition and the Talent Sky Disposal 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 GM. 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.

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 announcements of the Company dated 29 December 2014 and 31 August 2015). These previous engagements had been completed after the issue of the respective announcement 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 Nansha Acquisition and the Talent Sky Disposal 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) and on Singapore Exchange

Securities Trading Limited. 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 interim report of the Company for the six months ended 30 June 2016 (the "**Interim Report 2016**"), as of 30 June 2016, the land bank of the Group was approximately 13.25 million sq.m. with a total of 36 projects in 12 cities in the PRC, of which approximately 10.35 million sq.m. is attributable to the interest of the Group.

In terms of regional composition, Guangzhou accounted for approximately 39.6% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 15.9%, Yangtze River Delta accounted for approximately 18.9%, the Central China Region accounted for approximately 13.2%, Bohai Rim Economic Zone accounted for approximately 11.1%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.6%. In terms of product mix, residential properties accounted for approximately 77% and commercial properties and others accounted for approximately 23%.

Pursuant to the Interim Report 2016, a summary of the land bank of the Group as of 30 June 2016 is as follows:

Table-1:

	Location	**Land bank**	**Properties under development**	**Properties for future development**
		(GFA in sq.m.)	*(GFA in sq.m.)*	*(GFA in sq.m.)*
Tier 1 cities				
1	Guangzhou	5,244,600	2,824,500	2,420,100
2	Hong Kong	74,500	4,000	70,500
Tier 2 & 3 cities				
3	Pearl River Delta (excluding Guangzhou)	2,112,600	1,865,300	247,300
4	Yangtze River Delta	2,508,900	1,238,300	1,270,600
5	Central China Region	1,746,900	1,429,200	317,700
6	Bohai Rim Economic Zone	1,464,800	626,100	838,700
7	Hainan	100,400	6,000	94,400
Total		13,252,700	7,993,400	5,259,300

As disclosed in the Interim Report 2016, the sales target for full year of 2016 will be RMB25.8 billion.

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

A summary of financial information of the Group is extracted from the annual report of the Company for the year ended 31 December 2015 (the "**Annual Report 2015**") and Interim Report 2016 in Table-2 below:

Table-2:

	For the year ended 31 December		**For the six months ended 30 June**	
	2015	**2014**	**2016**	**2015**
(RMB'000)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	22,115,677	15,701,739	5,079,101	6,624,661
Profit for the year/period attributable to owners of the Company	1,012,889	2,471,255	974,088	1,197,623

	As at 31 December		**As at 30 June**	
	2015	**2014**	**2016**	**2015**
(RMB'000)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Non-current assets	29,290,999	23,246,854	32,186,573	24,755,999
Current assets	82,697,068	69,828,499	81,724,408	75,794,433
(Current liabilities)	(42,534,090)	(33,959,101)	(50,185,383)	(38,355,545)
(Non-current liabilities)	(38,024,360)	(28,862,824)	(31,330,931)	(30,722,423)
Net current assets	40,199,565	35,869,398	31,575,612	37,475,475
Net assets	31,466,204	30,253,428	32,431,254	31,509,051

(i) *For the year ended 31 December 2015*

For the year ended 31 December 2015, the Group recorded a total revenue of approximately RMB22,115.7 million (2014: approximately RMB15,701.7 million), representing an increase of approximately 40.8%. The rise in revenue was mainly due to the increase in contracted sales gross floor area ("**GFA**") despite of the decrease in average selling price per GFA as a result of change of product mix and regional composition.

The Group recorded a profit attributable to owners of the Company of approximately RMB1,012.9 million (2014: approximately RMB2,471.3 million), representing a decrease of approximately 59.0%. The decrease in profit attributable to owners of the Company in 2015 was mainly due to the decreases in fair value gains on revaluation of investment properties and the net amount of other gains and an increase in net foreign exchange loss. If the fair value gains on revaluation of investment properties and the related tax effect and net exchange loss recognized in the consolidated income statement were not taken into account, the core net profit was approximately RMB1.24 billion, a year-on-year decrease of 21.2%.

As at 31 December 2015, the audited net current assets and net assets of the Group amounted to approximately RMB40,199.6 million and approximately RMB31,466.2 million respectively.

(ii) *For the six months ended 30 June 2016*

For the six months ended 30 June 2016, the Group recorded a total revenue of approximately RMB5,079.1 million (the same period of 2015: approximately RMB6,624.7 million), representing a decrease of approximately 23.3%. The decrease in revenue was mainly due to less GFA was delivered in the first half of 2016.

The Group recorded a profit attributable to owners of the Company of approximately RMB974.1 million (the same period of 2015: approximately RMB1,197.6 million), representing a decrease of approximately 18.7%. The decrease in profit attributable to owners of the Company in the first half of 2016 was mainly caused by the decrease in revenue. Excluding fair value gains on revaluation of investment properties and the related tax impact and foreign exchange gain/loss, the core net profit was approximately RMB860 million (the same period of 2015: RMB730 million), an increase of 17.2% comparing with the corresponding period of last year.

As at 30 June 2016, the unaudited net current assets and net assets of the Group amounted to approximately RMB31,575.6 million and approximately RMB32,431.3 million respectively.

(c) ***Business outlook of the Group***

According to the Annual Report 2015, the Group has formulated the development plans for the next five years with definite targets and clear strategies. The Group's development will focus on three core regions, namely Greater Guangzhou, Central China and Yangtze River Delta and strive to strengthen and optimize the business of development and operation of residential and commercial properties, seeking sustainable and steady growth of its core businesses, and endeavouring to become a competitive property developer with sound business performance and leading integrated capabilities.

The Group pursues sustainable and stable growth in core operations of residential and commercial property development, continuing to increase the proportion of the lease business in the Group's revenue and profit. The existing project resources will be invigorated and optimized, with efforts put to enhance the investment rate of return of projects. Utilization of the effective operational model of "Development-Operation-Finance" and the dual platforms "Property-REIT" interaction model will be continued to effectively consolidate internal resources and gain synergy effect. With customers as a top priority and profit as the target, the product mix will be optimized, the price-performance ratio of products will be enhanced and the competitiveness of products will be boosted comprehensively.

With the efficiency as the priority, the Group will source high-quality land reserve by multiple ways, consolidate and integrate the quality resources within Yuexiu Group, and get actively involved in the "Three-Old" Urban Renewal Plan to gain high-quality land. For the regional market investment, the Group will adopt the regional market investment strategy with greater Guangzhou as the center, Wuhan and Hangzhou as the pillars for growth. The land reserve mix will be optimized. New investment will focus on projects with quick turnover, and the target is on the return on equity of the projects. The strategic cooperation with state-owned enterprises and leading property developers would be expanded to reduce the cost of land and the investment risk.

II. **The Nansha Acquisition and the Talent Sky Disposal**

(a) ***Reasons for the Nansha Acquisition and the Talent Sky Disposal***

Nansha Acquisition

Pursuant to the Letter, the Nansha Project is located in the Nansha District of Guangzhou City, which is now a state free trade zone and a state new district. In 2016, the Nansha District was named the "second city centre" by the Guangzhou municipal government, hence the Nansha District has vast potential for future development. The Nansha Project is of a relatively large scale, has obvious geographical advantages, and thus has relatively great development potential. The Nansha Acquisition will further increase the high-quality land reserves of the Group and will increase the Group's overall land reserves from approximately 14,640,000 sq.m to approximately 15,570,000 sq.m, thereby strengthening the core property business of the Group and solidifying the leading position of the Group in the Guangzhou property market. The further increase in land reserves in the Nansha District of Guangzhou City upon completion of the Nansha Acquisition from approximately 1,928,000 sq.m. to approximately 2,860,000 sq.m. will be beneficial to the stable growth of the core business of the Group. As such, the Nansha Acquisition 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.

Talent Sky Disposal

The Hotel's business performance in 2015 and for the first eight months of 2016 has not been strong, and it is anticipated that the business environment in respect of the Hotel in 2017 will not materially change. Reconstruction of the Hotel will take a relatively long time, and it is difficult to implement such reconstruction in the short to mid term. As such, disposing of the Hotel to the Company's controlling shareholder at fair value will enable the Company to realise reasonable profit. At the same time, incorporating the cash received from such disposal into the Company's working capital will also be beneficial to the Company in potential acquisitions of other quality projects in the future and will increase the efficiency of utilisation of financial recourses of the Group.

In view of the above, the Company considers that Transactions as a whole are beneficial to the overall development of the Group's business and will create value for the Shareholders.

The Group is expected to a record a gain (after tax) of approximately HK$265,000,000 (being the amount equal to the Talent Sky Share Consideration minus: (i) the net asset value of the Talent Sky Disposal Group as at 31 August 2016 of HK$41,147,000 and (ii) the estimated expenses in relation to the Talent Sky Disposal) as a result of the Talent Sky Disposal. As a result of the Talent Sky Disposal, each of the total assets and net assets of the Group are expected to increase by RMB235,000,000 respectively.

It is expected that the net proceeds from the Talent Sky Disposal will be used for replenishment of the Group's working capital.

Taking into account the reasons and benefits described above, we concur with the Directors that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) ***Major Terms of the Nansha Acquisition***

(i) *Asset to be acquired*

Pursuant to the Nansha Equity Transfer Agreement: (i) the Nansha Acquisition Seller agreed to sell, and the Nansha Acquisition Purchaser agreed to purchase, the entire equity interest in the Nansha Acquisition Company; and (ii) the Nansha Acquisition Seller agreed to assign to the Nansha Acquisition Purchaser, and the Nansha Acquisition Purchaser agreed to accept the assignment of, the Nansha Loan on a dollar-for-dollar basis. The original acquisition cost of the assets to be acquired by the Nansha Acquisition Purchaser pursuant to the Nansha Equity Transfer Agreement was approximately RMB2,132,831,440.

The Nansha Acquisition Company is the current legal owner of the land use rights of Nansha Land Parcel on which the Nansha Project will be constructed.

(ii) *Information on the Nansha Project*

The Nansha Land Parcel is located at 16th Yitao Wanguo, North Ringstrasse, Nansha District, Guangzhou City, Guangdong Province, the PRC. Particulars of the Nansha Land Parcel are as follows:

A.	Site area:	341,488 sq.m.
B.	Total gross floor area:	928,590 sq.m.
C.	Usage:	Commercial and residential uses
D.	Land term:	40 years for commercial use and 70 years for residential use

The Nansha Project to be constructed on the Nansha Land Parcel will be a residential development project. Particulars of the Nansha Project are as follows:

A.	Total gross floor area:	928,590 sq.m.
B.	Permitted residential gross floor area:	692,637 sq.m.
C.	Gross floor area of the basement:	166,578 sq.m.
D.	Saleable gross floor area of the basement:	57,500 sq.m.
E.	Gross floor area of public facilities and other supporting facilities:	69,375 sq.m.

The Nansha Project is situated at the Jiaomen River city centre area in the heart of the Nansha District in Guangzhou city, and is close to the main road in the Nansha District. This area focuses on the development of the urban comprehensive service functions, and its development plans include large urban support facilities such as hotels, hospitals and schools. The Nansha Project is also close to Jinzhou, which is a developed business district, and therefore has substantial potential for appreciation in value.

(iii) *Financial information of the Nansha Acquisition Company*

The unaudited consolidated financial information of the Nansha Acquisition Company for the financial years ended 31 December 2014 and 31 December 2015 and the eight months ended 31 August 2016, respectively, is as follows:

Table-3:

	For the financial year ended 31 December		**For the eight months ended 31 August**
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	Nil	Nil	Nil
Net profit/(loss) before taxation	Nil	(1,359)	(203)
Net profit/(loss) after taxation	Nil	(1,359)	(203)

The total assets and the net asset value of the Nansha Acquisition Company as at 31 August 2016 were RMB1,204,917,668 and RMB2,598,480, respectively.

(iv) *Consideration for the Nansha Acquisition*

The Nansha Equity Transfer Consideration of RMB1,396,247,800 shall be payable in full by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller on the date of the Nansha Acquisition Completion.

As at the Latest Practicable Date, the entire amount owing from the Nansha Acquisition Company to the Nansha Acquisition Seller is RMB1,191,752,260.39. Based on the assumption that the entire amount owing from the Nansha Acquisition Company to the Nansha Acquisition Seller as at the date of the Nansha Acquisition Completion is the same as that as at the Latest Practicable Date, the Nansha Loan Consideration payable by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller, being the amount of the Nansha Loan to be assigned, shall be RMB1,191,752,260.39. The Nansha Loan Consideration shall be paid by the Nansha Acquisition Purchaser to the Nansha Acquisition Seller in full within three Business Days of the Registration Date.

(v) *Conditions Precedent*

Completion of the Nansha Equity Transfer is conditional on the satisfaction (or waiver, if applicable) of the Nansha Equity Transfer Conditions (details of which are set out in the Letter). As at the Latest Practicable Date, none of the Nansha Equity Transfer Conditions had been satisfied.

The Nansha Acquisition Completion (including both the Nansha Equity Transfer and the Assignment of the Nansha Loan) and Talent Sky Disposal Completion are inter-conditional, and the Nansha Acquisition Purchaser and the Nansha Acquisition Seller shall not be obliged to carry out the Nansha Acquisition Completion unless the Talent Sky Disposal Completion occurs simultaneously.

(c) ***Major Terms of the Talent Sky Disposal***

(i) *Asset to be disposed*

Pursuant to the Talent Sky SPA: (i) the Talent Sky Disposal Seller agreed to sell, and the Talent Sky Disposal Purchaser agreed to purchase, the Talent Sky Disposal Share, being all of the issued shares in the capital of the Talent Sky Disposal Company; and (ii) the Talent Sky Disposal Seller agreed to assign to the Talent Sky Disposal Purchaser, and the Talent Sky Disposal Purchaser agreed to accept the assignment of, the Talent Sky Loan on a dollar-for-dollar basis. The original acquisition cost of the assets to be disposed of by the Talent Sky Disposal Seller pursuant to the Talent Sky SPA was approximately HK$400,000,000.

The Talent Sky Disposal Company is an investment holding company. It is the legal and beneficial owner of all of the issued shares of Techcon, which is in turn the registered owner of the Hotel.

(ii) *Information on the Hotel*

The Hotel is known as "The South China Hotel (粵華酒店)" located at the area of the eastern district of the Hong Kong Island (situated at 67-75 Java Road, North Point).

The Hotel is a 21-storey building (1 basement floor and Ground Floor to 19th Floor plus a cockloft floor) with an area of 532.609 sq. m. and was completed in about 1991.

The total gross floor area of the Hotel is 7,022.682 sq. m.. The 3rd to 19th Floor of the Hotel accommodates a total of 202 rooms comprising standard and executive rooms. Restaurants are available on the first floor and the second floor. Carparking spaces and loading/unloading bay are also available on the ground floor.

The Hotel is held under various government leases for a term of 75 years commencing on 5 September 1921 and renewable for a further term of 75 years.

(iii) *Financial information of the Talent Sky Disposal Company*

The unaudited consolidated financial information of the Talent Sky Disposal Company for the financial years ended 31 December 2014 and 31 December 2015 and the eight months ended 31 August 2016, respectively, is as follows:

Table-4:

	For the financial year ended 31 December		**For the eight months ended 31 August**
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	50,396	36,509	19,060
Net profit/(loss) before taxation	17,641	9,553	(791)
Net profit/(loss) after taxation	17,312	9,842	(791)

The total assets and the net asset value of the Talent Sky Disposal Company as at 31 August 2016 were HK$394,635,000 and HK$41,147,000, respectively.

(iv) *Consideration for the Talent Sky Disposal*

The total price for the Talent Sky Disposal Share to be paid by the Talent Sky Disposal Purchaser to the Talent Sky Disposal Seller is the Talent Sky Disposal Share Consideration of HK$309,194,000.

The total price for the assignment of the Talent Sky Loan to be paid by the Talent Sky Disposal Purchaser to the Talent Sky Disposal Seller is the Talent Sky Loan Consideration. As at the Latest Practicable Date, the entire amount owing from the Talent Sky Disposal Company to the Talent Sky Disposal Seller is HK$334,963,878.20.

The Talent Sky Disposal Total Consideration of HK$644,157,878.2 (being the sum of the Talent Sky Share Consideration and the Talent Sky Loan Consideration) shall be paid on the date of Talent Sky Disposal Completion.

(v) *Conditions Precedent*

Talent Sky Disposal Completion is conditional on the satisfaction (or waiver, if applicable) of the Talent Sky Disposal Conditions, details of which are set out in the Letter. As at the Latest Practicable Date, none of the Talent Sky Disposal Conditions had been satisfied. So far as is known by the Directors as at the Latest Practicable Date, the Talent Sky Disposal Purchaser does not intend to waive the Talent Sky Disposal Condition in (d).

The Nansha Acquisition Completion and the Talent Sky Disposal Completion are inter-conditional, and the Talent Sky Disposal Purchaser and the Talent Sky Disposal Seller shall not be obliged to carry out the Talent Sky Disposal Completion unless Nansha Acquisition Completion occurs simultaneously.

III. **Valuations of the Transactions**

The Nansha Acquisition Total Consideration is estimated to be RMB2,588,000,060.39 (assuming that the net amount owing from the Nansha Acquisition Company to the Nansha Acquisition Seller as at the date of the Nansha Acquisition Completion is the same as that as at the Latest Practicable Date). The Nansha Equity Transfer Consideration was determined with reference to, and represents a discount of approximately 8.9% to, the fair value of the Nansha Acquisition Company as at 31 August 2016 of approximately RMB1,532,527,000 as valued by the Independent Valuer using the asset approach and on the basis that fair value is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. On the other hand, the Nansha Loan Consideration represents the dollar-for-dollar value of the Nansha Loan.

The Talent Sky Disposal Total Consideration is estimated to be HK$664,157,878.2 (assuming that the net amount owing from the Talent Sky Disposal Company to the Talent Sky Disposal Seller as at the Completion Date is the same as that as at the Latest Practicable Date). The Talent Sky Share Consideration is equal to the fair value of the Talent Sky Disposal Company as at 31 August 2016 of approximately HK$309,194,000 as valued by the Independent Valuer using the asset approach and on the basis that the fair value is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. On the other hand, the Talent Sky Loan Consideration represents the dollar-for-dollar value of the Talent Sky Loan.

(i) *Valuation Reports*

To assess the fairness and reasonableness of the Nansha Equity Transfer Consideration and the Talent Sky Share Consideration, we have reviewed the valuation reports (the "**Valuation Reports**") prepared by the Independent Valuer on the Nansha Acquisition Company and the Talent Sky Disposal Company as at 31 August 2016 as set out in Appendices IA, IB, IIA and IIB to the Circular and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the valuations (the "**Valuations**") of the Nansha Acquisition Company and the Talent Sky Disposal Company (the "**Target Companies**").

In valuing the Target Companies, the Independent Valuer had adopted the asset approach which is based on the economic principle of substitution and measures what is the net asset value ("**NAV**") of the Target Companies as at the valuation date and how much it would cost to replace those assets. The asset approach is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value of the net assets of the Target Companies is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. The valuation of the net assets of the Target Companies 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.

In accordance with the International Valuation Standards (2013 Edition), the asset approach can be applied in the case of early stage or start-up businesses where profits and/or cash flow cannot be reliably determined and adequate market information is available on the entity's assets. In the Valuations, the core asset of the Nansha Acquisition Company and the Talent Sky Disposal Company is the Nansha Land Parcel and the land use right of the Hotel, respectively. The development of the Nansha Project is in early development stage and the redevelopment of the Hotel into a residential property was not yet commenced which fulfil the requirements of the International Valuation Standards (2013 Edition) to apply the asset approach. Furthermore, without forecasting the long term operational result, the sum of the fair value of the assets net of liabilities adjusted for lack of marketability was a fair representative presentation of the fair value of the equity interest of the Target Companies.

For the valuation of the Talent Sky Disposal Company, the Independent Valuer has assumed that the Hotel will be demolished and redeveloped into residential properties for sale which is considered to be the highest and the best use of such land use right.

It is noted that the valuation of the Target Companies were prepared based on the unaudited financial position of the Target Companies as at 31 August 2016. Save for the Nansha Land Parcel and the land use right of the Hotel (the "**Properties**"), the Independent Valuer considers that other assets and liabilities of the Target Companies can reflect their respective fair value. Accordingly, the Independent Valuer has separately prepared a valuation of the Nansha Land Parcel and the land use right of the Hotel. The Independent Valuer carried out a site visit to the Nansha Land Parcel in September 2016 and the Hotel in October 2016. In valuing the Nansha Land Parcel and the land use right of the Hotel, the Independent Valuer has (i) adopted comparison method where comparison based on prices realized or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the real property interest. Adjustments in the prices of the comparable properties are then made to account for the identified differences between such properties and the real property interest in the relevant factors; (ii) prepared the valuation reports in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules; and (iii) complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors. The value of the Nansha Land Parcel appreciated by approximately RMB1,561,204,704 to RMB2,760,000,000 and the value of the land use right of the Hotel appreciated by HK$277,530,300 to HK$610,000,000.

It is also noted that the Independent Valuer applied a discount for lack of marketability ("**DLOM**") of 2% for each of the Target Companies. In selecting the appropriate DLOM, the Independent Valuer considered (i) the length of time and effort required by the management in order to sell a controlling interest; and (ii) the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees.

We have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuation. 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, GZYX and their respective associates.

For the valuation of the Nansha Acquisition Company, we noted that the Independent Valuer rejected (i) the market approach due to that it was difficult to make adjustment to reflect the unique circumstances of the Nansha Acquisition Company and the development stage of the Nansha Project; and (ii) the income approach due to that the Nansha Project was still at development stage and the pre-sale was not yet commenced, as such, the projection of the timing of cash flow was subject to uncertainties which affected profitability.

For the valuation of the Talent Sky Disposal Company, we noted that the Independent Valuer rejected (i) the market approach due to that (a) the Talent Sky Disposal Company was loss-making for the eight months ended 31 August 2016, (b) no similar transaction or comparable companies could be found taking into account the redevelopment option, (c) it was difficult to make adjustment to reflect the unique circumstances of the Talent Sky Disposal Company; and (ii) the income approach due to that the redevelopment option was assumed to be launched but not executed, as such the projection of the timing of cash flow was subject to uncertainties which affected profitability.

We have reviewed and discussed with management of the Company the management account of the Target Companies for the eight months ended 31 August 2016 which the Valuations are based on. For the Nansha Acquisition Company, save for the land cost and development cost relating to the Nansha Project, we noted that its assets comprise tax recoverable and bank and cash balances and its liabilities comprise current account with holding company and other payables which are all current in nature. For the Talent Sky Disposal Company, save for the Hotel, we noted that its assets mainly comprise of furniture and fixture (most of which have been used for over 10 years and have low residual value) and bank and cash balances and its liabilities mainly comprise of current account with the holding company (which are current in nature).

Having considered that (i) market transactions with the unique circumstances of the Target Companies may not be available for the market approach; (ii) the accuracy of projection of cash flow is uncertain for income approach; and (iii) save for the Properties, other assets and liabilities of each of the Target Companies are either current in nature or depreciated assets, we consider that the asset approach is a reasonable approach for the valuation of the Target Companies and the adoption of appraised value rather than book value of the Properties and the assumption that the book value of other assets and liabilities of the Target Companies represent their respective fair value is appropriate.

In arriving at the appraised value of the Properties, the Independent Valuer adopted the comparison method. We were advised by the Independent Valuer that it collected and analysed the recent transactions of the market comparables that (i) were located in the same district or city (as the case maybe) of the Properties; and (ii) had the same nature and similar quality of the Properties. The collected comparables were then adjusted to reflect the difference between the comparables and the Properties in terms of, among others, location, date of transaction, nature and quality of properties. The appraised values of the Properties were then derived from the estimated weighted average unit price and GFA of the Properties. We have reviewed the calculation and discussed with the Independent Valuer's basis of the relevant adjustments made and are of the view that the basis of the adjustments, including various factors (i.e. date of transaction, location, nature and quality of properties), is reasonable and relevant for the purpose of establishing the appraised value of the Properties.

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 in line with normal market practices and the Valuation Reports to be the appropriate source of information for the purpose of our assessment on the fair and reasonableness of the terms under the Transactions.

Based on the Valuation Reports, the fair value of the Target Companies is as follows:

Nansha Acquisition Company

	RMB'million
Unaudited NAV of the Nansha Acquisition Company as at 31 August 2016 (before re-valuation of the Nansha Land Parcel)	2.6
Add: appreciation of the Nansha Land Parcel	1,561.2
Less: DLOM	(31.3)
Fair value of the Nansha Acquisition Company as at 31 August 2016	1,532.5

The Nansha Equity Transfer Consideration of RMB1,396,247,800 represents a discount of approximately 8.9% to the fair value of the Nansha Acquisition Company as at 31 August 2016.

Talent Sky Disposal Company

	HK$'million
Unaudited NAV of the Talent Sky Disposal Company as at 31 August 2016 (before re-valuation of the Hotel)	38.0
Add: appreciation of the Hotel	277.5
Less: DLOM	(6.3)
Fair value of the Talent Sky Disposal Company as at 31 August 2016	309.2

The Talent Sky Share Consideration of HK$309,194,000 is equal to the fair value of the Talent Sky Disposal Company as at 31 August 2016.

(ii) *Market Comparables*

To further assess the fairness and reasonableness of the Nansha Equity Transfer Consideration and the Talent Sky Share Consideration, we had compiled a comparable table on consideration paid/received by other listed issuers in property transaction which we carried out on a best effort basis using the following selection criteria: (i) acquisition/disposal of properties or property holding company by companies listed on the Stock Exchange in the past two months from 8 September 2016 to 7 November 2016 (being 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 16 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 of the past two months from the date of the Announcement is appropriate since the Comparable Transactions have taken into account the recent market conditions which are similar to those of the Transactions and 16 comparable transactions are identified which are representative for comparison. Brief summary of relevant information of the Comparable Transactions are set out in Table 5 below:

Table-5:

	Company name (Stock Code)	Date of circular	Transaction & location	Consideration	Adjusted NAV/valuation	Discount / Premium of consideration to / over adjusted NAV / valuation
1	China Overseas Grand Oceans Group Limited (81)	4-Nov-16	Acquisition of various property development projects in the PRC	RMB3,516,000,000	RMB3,517,200,000	-0.03%
2	Maoye International Holdings Limited (848)	31-Oct-16	Acquisition of supermarket stores in Inner Mongolia	RMB1,565,300,000	RMB1,580,319,650	-0.95%
3	Gemini Investments (Holdings) Limited (174)	28-Oct-16	Acquisition of office building in USA	HK$133,400,000	HK$147,400,000	-9.50%
4	CNC Holdings Limited (8356)	28-Oct-16	Acquisition of cultural industry park in the Shenzhen PRC	HK$600,000,000	HK$621,000,000	-3.38%

Company name (Stock Code)	Date of circular	Transaction & location	Consideration	Adjusted NAV/valuation	Discount / Premium of consideration to / over adjusted NAV / valuation
5 Continental Holdings Limited (513)	28-Oct-16	Disposal of commercial building in HK	HK$1,133,500,000	HK$1,210,000,000	-6.32%
6 Skyfame Realty (Holdings) Limited (59)	26-Oct-16	Disposal of residential properties in Hunan PRC	RMB55,023,795	RMB56,700,000	-2.96%
7 FSE Engineering Holdings Limited (331)	25-Oct-16	Acquisition of office unit in HK	HK$285,000,000	HK$288,000,000	-1.04%
8 Hoifu Energy Group Limited (7)	20-Oct-16	Acquisition of commercial building, 384 carparks and storage room in Beijing	RMB401,000,000	RMB392,373,000	2.20%
9 Tai United Holdings Limited (718)	18-Oct-16	Acquisition of residential properties in the UK	HK$1,155,682,145	HK$1,155,682,145	0.00%
10 Ming Fai International Holdings Limited (3828)	14-Oct-16	Disposal of office unit in HK	HK$157,653,000	HK$122,195,000	29.02%
11 Times Property Holdings Limited (1233)	30-Sep-16	Acquisition of land parcels in Guangdong PRC	RMB1,263,000,000	RMB1,522,339,000	-17.04%
12 Costal Greenland Limited (1124)	30-Sep-16	Disposal of land parcel in Tianjin PRC	RMB875,000,000	RMB874,370,000	0.07%
13 Chuang's China Investments Limited (298)	26-Sep-16	Disposal of commercial and residential properties in Guangdong PRC	RMB1,330,400,000	RMB1,259,200,000	5.65%
14 Trillion Grand Corporate Company Limited (8103)	19-Sep-16	Acquisition of residential properties in HK	HK$128,000,000	HK$138,964,042	-7.89%
15 Yuzhou Properties Company Limited (1628)	15-Sep-16	Acquisition of land parcel in Zhijiang PRC	RMB4,103,871,537	RMB4,152,446,000	-1.17%
16 Prosperity Real Estate Investment Trust (808)	13-Sep-16	Acquisition of commercial building in HK	HK$1,875,000,000	HK$1,985,000,000	-5.54%
				Maximum	**29.02%**
				Minimum	**-17.04%**
				Average	**-1.18%**
		The Nansha Acquisition	**RMB1,396,247,800**	**RMB1,532,527,000**	**-8.89%**
		The Talent Sky Disposal	**HK$309,194,000**	**HK$309,194,000**	**0.00%**

As illustrated in Table 5 above, it is noted that the consideration of 11 out of 16 of the Comparable Transactions was equivalent or at a slight discount to their respective adjusted NAV/valuation of property. As such, it is a common market practice to acquire or dispose property holding company/property with a consideration approximate to the adjusted NAV/valuation of property. In addition, the discounts of 8.89% represented by the Nansha Equity Transfer Consideration and 0% represented by the Talent Sky Share Consideration are on better terms than the average discount of 1.18% of the Comparable Transactions.

Having considered that (i) the Nansha Acquisition Transfer Consideration represents a discount of approximately 8.89% to the fair value of the Nansha Acquisition Company as at 31 August 2016 and the Talent Sky Share Consideration is equal to the fair value of the Talent Sky Disposal Company as at 31 August 2016 which are on better terms than the average discount of the Comparable Transactions; (ii) it is a common market practice to acquire or dispose property/property project company with a consideration approximate to the adjusted NAV/appraised value; and (iii) each of the Nansha Loan Consideration and the Talent Sky Loan Consideration will be settled on dollar-for-dollar basis, we concur with the Directors' view that the terms of the Nansha Acquisition and the Talent Sky Disposal are on normal commercial terms, and fair and reasonable.

IV. Possible Financial Effect of the Nansha Acquisition and the Talent Sky Disposal to 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 Nansha Acquisition and the Talent Sky Disposal on the financial position of the Group:

Nansha Acquisition

(i) *Earnings*

The Group recorded a profit attributable to owners of the Company of approximately RMB1,012.9 million for the year ended 31 December 2015 and the Nansha Acquisition Company recorded a net loss of approximately RMB1.4 million for the year ended 31 December 2015. Having considered the early development stage of the Nansha Project, it is expected that the Nansha Acquisition Company will not cause an immediate impact on the earnings of the Group upon completion of the Nansha Acquisition.

(ii) *Net assets*

As at 30 June 2016, the unaudited net assets of the Group attributable to the Shareholders were approximately RMB30,626.9 million. After completion of the Nansha Acquisition, assets and liabilities of the Nansha Acquisition Company will be consolidated into the financial statements of the Group. In light of adjusted NAV of approximately RMB1,532.5 million of the Nansha Acquisition Company, the Nansha Equity Transfer Consideration of RMB1,396.2 million and the Nansha Loan Consideration is on dollar for dollar basis, it is expected that the net assets of the Group will increase by approximately RMB136.3 million.

(iii) *Gearing*

As at 30 June 2016, the gearing ratio of the Group was approximately 29.27%, representing the total borrowings of approximately RMB33,357.7 million divided by total assets of approximately RMB113,947.6 million. Assuming completion of the Nansha Acquisition took place on 30 June 2016, since the Nansha Acquisition Company had liabilities of approximately RMB1,202.3 million as at 31 August 2016, representing approximately 1.06% of the total assets of the Group as at 30 June 2016, it is expected that the Nansha Acquisition will not cause a significant impact on the gearing of the Group.

(iv) *Liquidity*

As at 30 June 2016, the net current assets of the Group were approximately RMB31,575.6 million. Assuming completion of the Nansha Acquisition took place on 30 June 2016, it is expected that the cash outflow of approximately RMB2,588.0 million for the Nansha Acquisition Total Consideration will not cause a significant impact on the liquidity of the Group.

Talent Sky Disposal

(i) *Earnings*

Upon completion of the disposal of the Talent Sky Disposal Group, it is estimated that the Group will record a potential gain (after tax) on the disposal of approximately HK$265 million (being the amount equal to the Talent Sky Share Consideration minus: (i) the net asset value of the Talent Sky Disposal Group as at 31 August 2016 of HK$41,147,000 and (ii) the estimated expenses in relation to the Talent Sky Disposal).

(ii) *Net assets*

As at 30 June 2016, the unaudited net assets of the Group attributable to the Shareholders were approximately RMB30,626.9 million. It is expected that the net assets of the Group attributable to the Shareholders will increase by the potential gain on the Talent Sky Disposal of HK$265 million.

(iii) *Gearing*

As at 30 June 2016, the gearing ratio of the Group was approximately 29.27%, representing the total borrowings of approximately RMB33,357.7 million divided by total assets of approximately RMB113,947.6 million. Assuming completion of the Talent Sky Disposal took place on 30 June 2016, since the Talent Sky Disposal Company had total liabilities of HK$341.7 million as at 31 August 2016, representing approximately 0.30% of the total assets of the Group as at 30 June 2016, it is expected that the Talent Sky Disposal will not cause a significant impact on the gearing of the Group.

(iv) *Liquidity*

As at 30 June 2016, the net current assets of the Group were approximately RMB31,575.6 million. Assuming completion of the Talent Sky Disposal took place on 30 June 2016, it is expected that the net current assets of the Group would increase by approximately HK$644.2 million, being the Talent Sky Disposal Total Consideration.

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 Nansha Acquisition and the Talent Sky Disposal.

RECOMMENDATION

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

(i) the Nansha Acquisition 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 Nansha Acquisition 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 Guangzhou property market;

(iii) the financial performance of the Talent Sky Disposal Company has been deteriorating in 2015 and it recorded a loss for the eight months ended 31 August 2016;

(iv) it is estimated that the Company will record a gain of HK$265 million from the Talent Sky Disposal;

(v) the Nansha Acquisition Transfer Consideration represents a discount of approximately 8.89% to the fair value of the Nansha Acquisition Company as at 31 August 2016 and the Talent Sky Share Consideration is equal to the fair value of the Talent Sky Disposal Company as at 31 August 2016 which are on better terms than the average discount of the Comparable Transactions as illustrated in the Comparable Transactions in Table 5 above;

(vi) each of the Nansha Loan Consideration and the Talent Sky Loan Consideration will be settled on dollar-for-dollar basis; and

(vii) it is expected that the Nansha Acquisition and the Talent Sky Disposal will not cause a significant impact on the earnings, net assets, gearing and liquidity of the Group upon completion of the Nansha Acquisition and the Talent Sky Disposal,

although the Talent Sky Disposal is not in the ordinary and usual course of business of the Group while the Nansha Acquisition is in the ordinary and usual course of business of the Group, we concur with the Directors that (i) the terms of the Nansha Acquisition and the Talent Sky Disposal are fair and reasonable and on normal commercial terms; and (ii) the Nansha Acquisition and the Talent Sky Disposal are in the interests of the Company and the Shareholders as a whole.

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 GM to approve the Nansha Acquisition and the Talent Sky Disposal and the transactions contemplated thereunder.

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 Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 August 2016 of the 100% equity interest in Guangzhou Zhongjing Huifu Property Development Limited.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

23 November 2016

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

Dear Sirs/Madams,

Valuation of 100% Equity Interest in Guangzhou Zhongjing Huifu Property Development Limited

In accordance with the instructions from Yuexiu Property Company Limited (the "Company"), we were engaged to perform a valuation analysis in relation to the fair value of 100% equity interest (the "Equity Interest") in Guangzhou Zhongjing Huifu Property Development Limited (the "Target Company") as at 31 August 2016 (the "Valuation Date"). As at the Valuation Date, the Target Company owned the property under development project namely Nansha Yitao (the "Project") which was located at 16th Yitao Wanguo, North Ringstrasse, Nansha District, Guangzhou City, Guangdong Province, the People's Republic of China.

It is our understanding our analysis will be used by the management of the Company for transaction reference purpose only. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is fair value; while the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used for transaction reference purpose only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company in evaluating the fair value of the Equity Interest as at the Valuation Date.

III. BASIS OF VALUATION

We have performed valuation of the Equity Interest on the basis of fair value. The opinion of value in the valuation will be on the basis of fair value which we would define as intended to mean *"the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties"*.

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the Target Company. It takes account of what is physically possible, financially feasible and legally permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and

4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

V. LEVEL OF VALUE

Valuation is a range concept and current valuation theories suggest that there are three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest**: the value of the controlling interest, always evaluate an enterprise as a whole;

2. **As if freely tradable minority interest**: the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and

3. **Non-marketable minority interest**: the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VI. SOURCES OF INFORMATION

Our analysis and conclusion was based on our discussions with the management of the Company, as well as reviews of key documents and records, including but not limited to:

1. Management accounts of the Target Company as at 31 August 2016;

2. Land Certificate for the land located at 16th Yitao Wanguo, North Ringstrasse, Nansha District;

3. Cash flow forecast of the Target Company prepared by the management of the Company;

4. Sale plan prepared by the management of the Company;

5. Development cost forecast prepared by the management of the Company;

6. Land appreciation tax ("LAT") calculation breakdown prepared by the management of the Company; and

7. Description on the property development project of the Target Company.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

VII. TRANSACTION OVERVIEW

Per discussion with the management of the Company, the transaction would be an acquisition of 100% equity interest in the Target Company. The management of the Company expected that the introduction of such transaction could help to diversify the operating risks, enhance the efficiency of financing and expedite the recycling of cash, in which in line with the Company's development strategy. The determination of the consideration on the 100% equity interest will make reference to the fair value of the Equity Interest as at the Valuation Date.

VIII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of China where the profit of the Target Company is derived, and how the valuation of the Target Company may be impacted.

1. Nominal GDP Growth in China

In the period of 12th Five-year plan (2011-2015), the status of economic development has been altered from rapid growth to medium-high speed growth. It can be observed that the real gross domestic products ("GDP") has been stabilised at around 7% from 2012 onwards, whereas the inflation has remained moderate around 2%. The slowdown of the economic expansion was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government. Upon the inauguration of Chinese President Mr. Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. Premier Mr. Li Ke Qiang has expressed his administration's policies, named as "Likonomics", on the future direction of Chinese economy. In the nutshell, it represents short-term pain in return for a long term gain in the economy.

Table 8 — 1 Real GDP Annual Growth Rate and Inflation of China

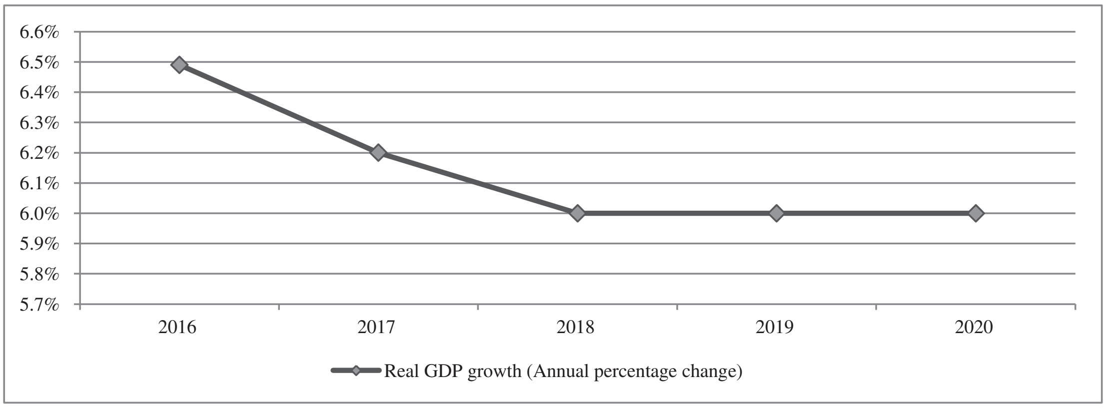
	2012A	2013A	2014A	2015A	2016F
Real GDP Annual Growth Rate (%)	7.70	7.70	7.30	6.90	6.49
Inflation (%)	2.65	2.62	1.99	1.44	1.80

Source: World Economic Outlook Database (April 2016), International Monetary Fund

According to analysts' comment of Barclays bank, the Likonomics will put Chinese economy into a sustainable path, and it was estimated the annual growth for the next 10 years would lie at between 6% and 7%. In accordance with the forecast published by International Monetary Fund ("IMF"), the overall real GDP growth is at 6.90% in 2015, while the projection of the real GDP growth in the next five year would follow a steady decline from 6.49% in 2016 to 6.0% in 2020, which is in line with Mr. Li's administration direction.

The following diagram shows the real GDP annual growth rate forecasts from 2016 to 2020.

Figure 8 — 1 Forecasts of Real GDP Annual Growth Rate of China



Source: World Economic Outlook Database (April 2016), International Monetary Fund

According to "World Economic Outlook Database (April 2016)" by IMF, the Chinese economy was ranked 2nd in terms of size in 2015, it possesses the greatest growth prospect among top six economies in the world; the Chinese economy was forecasted to grow from USD10,982 billion in 2015 to USD17,762 billion in 2021 with a compound annual growth rate ("CAGR") of 8.3%. It is worth noting that the gap between the United States and China was projected to be narrowing over time.

Table 8 — 2 Worldwide GDP

	Country	GDP - Billions of the United States Dollar ("USD")						
		2014A	2015F	2016F	2017F	2018F	2019F	2020F
1	United States	17,947	18,558	19,285	20,145	21,016	21,874	22,766
2	China	10,982	11,383	12,263	13,338	14,605	16,144	17,762
3	Japan	4,123	4,412	4,514	4,562	4,676	4,800	4,895
4	Germany	3,358	3,468	3,592	3,697	3,822	3,959	4,066
5	United Kingdom	2,849	2,761	2,885	2,999	3,123	3,256	3,874
6	France	2,421	2,465	2,538	2,609	2,700	2,804	2,895

Source: World Economic Outlook Database (April 2016), International Monetary Fund

In the near-term outlook, there are several challenges affecting the China's economy. The rapid growth in credit financing has derived a so-called 'shadow banking system', raising concerns about the quality of investment and the ability on repayment, especially when capital is flowing through less-well supervised parts of the financial system. Furthermore, China suffered from the first corporate bond default in March 2014. It sent a warning signal to the bond investors regarding the creditability of the borrowers and the stability of the market.

In addition, China's economic growth in the past was highly depends on continuous investment in infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recovery of these substantial investments which mainly financed by borrowing is challenging. In 2013, when the China's government tried to tighten the funding channel, the capital market has immediately quaked. Not only the GDP growth rate but also the stability of the entire capital market system in China would potentially be impacted if the problem cannot be handled properly.

Furthermore, President Xi's campaign against corruption and extravagant spending will improve the image of the government and increase the operational efficiency. On the other hand, it will affect the customer spending sector, especially, the luxury goods, fine dining and business travelling which used to be the unofficial fringe benefits of the government officers.

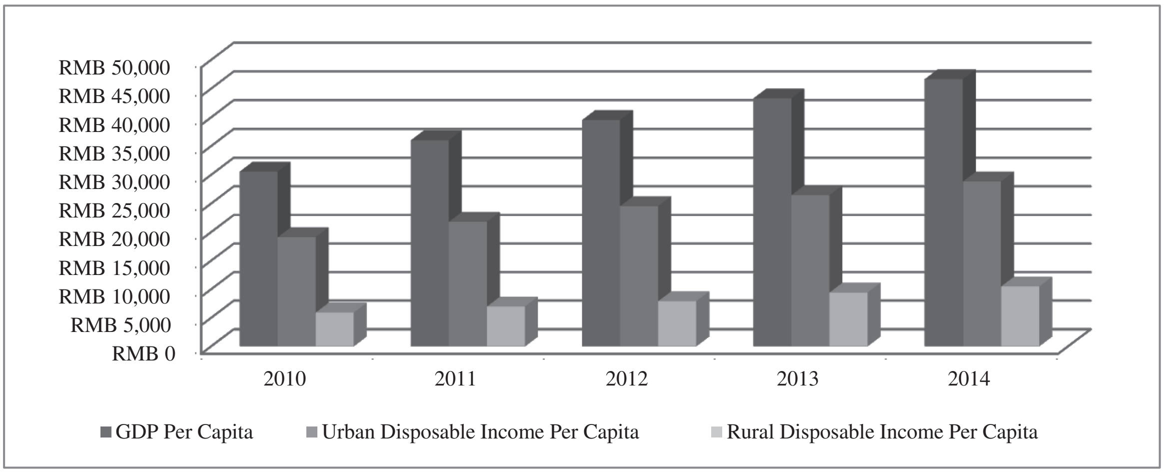
While the GDP growth of China's market stalls, the other markets start recovering. The World Bank commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker must clamp down on lending to prevent asset bubbles. Unless the Chinese economy faces imminent risk collapse, the "temporary hard-landing" will not deter the long-term growth prospect of China.

2. **GDP per Capita in China**

Improving standard of living was one of the main issues in social aspect of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB 19,109 in 2010 to RMB 28,844 in the 2014, representing a CAGR of approximately 10.8%; annual disposable income per capita of rural households has increased from RMB 5,919 in 2010 to RMB 10,489 in 2014, representing a CAGR approximate to 15.4%. In comparison to the inflationary figures, the annual inflation rate is between 1.99% and 5.40%. Hence, there were improvement of the standard of living of Chinese people overall in the period from 2010 to 2014.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2010 to 2014.

Figure 8 — 2 GDP per Capita of China



Source: National Bureau of Statistics of China

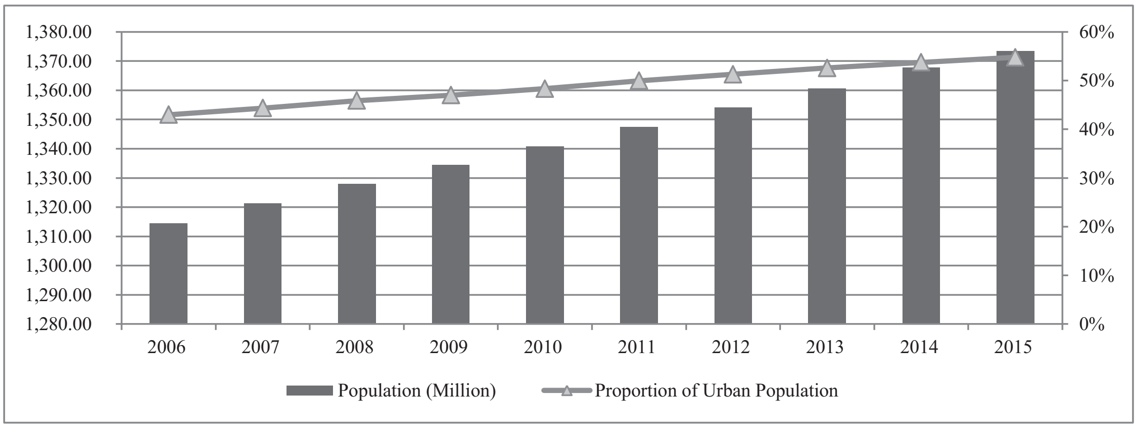
3. **Population Growth**

The population of China accounts for almost one fifth of the world's population. According to the National Bureau of Statistics of China, the population has grown from 1.31 billion in 2006 to 1.37 billion in 2015, representing a CAGR of approximately 0.44%.

The proportion of urban population in China increased from 44.34% in 2006 to 55.88% in 2015, representing a CAGR of approximately 2.37%.

The following diagram shows the population growth and corresponding urban population growth in China from 2006 to 2015.

Figure 8 — 3 Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China

Population growth is expected to be steady in this decade. Population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steady growth in population together with improving living standard continuously derives a strong demand on housing and transportation. On the other hand, the unemployment rate was recorded at around 4.1% for the past few years, and it is estimated the status will not change from 2015 to 2020.

Table 8 — 3 Population Forecast of China

	2015A	2016F	2017F	2018F	2019F	2020F
Population(Million)	1,374.62	1,381.45	1,388.32	1,395.22	1,402.16	1,409.13
Unemployment rate (%)	4.05	4.05	4.05	4.05	4.05	4.05

Source: World Economic Outlook Database (April 2016), International Monetary Fund

Although the one-child policy has curbed the growth of birth rate in China, the rising trend of China's population has not been slowed down in few decades. At the same time, the side effect of the policy has started to take effect in the current decade; the number of elderly people is rising and this age group is forecasted to grow in the next few decades. However, the Government now has realized this trend and introduced Two-child policy which comes into effect throughout the country since October 2015. Hopefully this policy will offset the aging population structure in next few decades.

Table 8 — 4 Age Distribution of China

Age distribution	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0-14(Million)	260	257	252	247	223	222	223	223	226	227
15-64(Million)	951	958	967	974	999	1,003	1,004	1,006	1,005	1,003
>=65(Million)	104	106	110	113	119	123	127	132	138	144

Source: National Bureau of Statistics of China

4. **Inflation**

Managing inflation risk has been one of the key missions for the China's government since 2010. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 1.50% in May 2015 on year-over-year basis, as compared with that of 1.99% in June 2014. China is expected to continue its prudent monetary policy, de-lever the state-led investment to a reasonable level, and optimize financing and credit structures in the future.

In comparison to the inflation of world's average and of emerging and developing economies, the outlook of China's inflation is far left behind. The continual appreciation on Chinese currency as well as the dominating role of export in China economy was the primary reasons. On one hand, with the Federal Reserve raising interest in December 2015, a new round of currency depreciation is expected to incur in emerging countries; on the other hand, in domestic, the A-share experienced four fusing at the beginning of 2016 with severe volatility, thus investors have strong hedging desires. Due to these two factors, expectation for RMB depreciation becomes much stronger.

Table 8 — 5 Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices Changes (%)						
	2015A	2016F	2017F	2018F	2019F	2020F	2021F
World	2.78	2.82	3.04	3.14	3.16	3.17	3.16
Emerging and developing economies	4.71	4.45	4.20	4.05	3.99	4.00	3.95
China	1.44	1.80	2.00	2.20	2.60	3.00	3.00

Source: World Economic Outlook Database (April 2016), International Monetary Fund

5. **Government Policy**

During the end of the period of 12th Five-year plan, China will maintain stable economic policies and a prudent monetary policy, the GDP growth is rebalancing at a rate of 7.1% amid lower export demand in 2015, said by Premier Li. A report issued by The World Bank in June 2014 has reconfirmed that the expectation is achievable.

The Chinese government is currently drafting the blueprint of the 13th Five-year plan which will begin in 2016. More or less, the plan will inherit the spirit of the previous in developing science and technology, deepening environmental protection policies, but to solidify the whole economy. Under the slump of crude oil price and raising deflation risk of the European Union countries, it is estimated that the Chinese government will adopt a stable and conservative economic policies in 2016, the government will continue the ongoing plans and focus on resolving the imminent problem within the nation, such as modifying the financial system and intensifying anti-corruption measures.

In the Central Economic Work Conference held in Beijing at the end of 2015, the top leaders of the Communist Party of China emphasised that the main tasks in 2016 were as follows:

- Reducing housing inventories;
- Resolving industrial overcapacity;
- Lowering corporate costs;
- Prevention of financial risks; and
- Broadening effective supply.

Overall speaking, inflation was mild and the economy may suffer a short-term slowdown, but it is just the part of the structural reform of the economy as stated in Likonomics. Currently, it leaves policy makers sufficient flexibility if they believe the economy needs any stimulation policies.

IX. INDUSTRY OVERVIEW

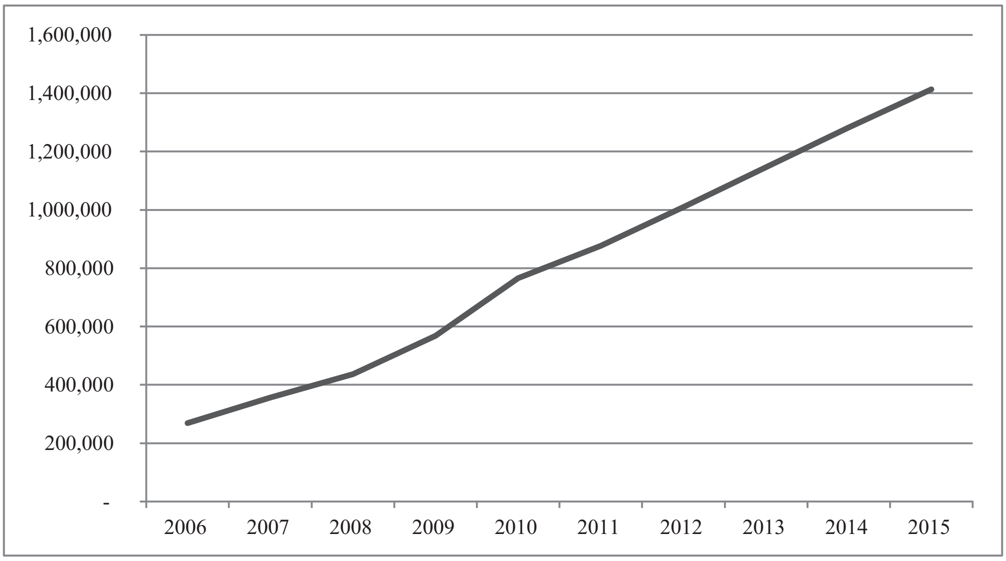
The Real Estate Development and Management industry in China is primarily engaged in the development and management of real estate projects, infrastructure and buildings, as well as the reselling of developed real estate projects.

Impressive growth of property market in the past was largely due to growth of disposable income among the large population and urbanization. Urbanization rate in the past few years was remarkable in China. Urbanization increases the demand for housing, as in general, the size of family is smaller in the city and thus, increases the number of household when a district starts to urbanize. It created substantial needs for housing in all tiers of cities.

Continuous improvement in earning capabilities of individuals is another key driving force for the prosperity of the property market as people peruse for a higher quality of life. The stable GDP growth in the past leaded to constant increases in household disposable income. With rising household disposable income, the number of households that are able to afford private housing increased significantly in the past few years. The rapid growth in disposable income also creates needs for investment. Meanwhile, available investment products are very limited in China. Therefore, it particularly benefits the property market, as traditionally, Chinese like to invest in physical property. It is also widely believed that a man needs to have a flat or a house before getting married. This creates a huge demand for housing. Revenue of the industry increased from USD268, 747 million in 2006 to USD765, 233 million in 2010, with a CAGR of 30%. High sales volumes and values in 2009 and 2010 resulted in strict policies being implemented to control rising housing prices.

China's real estate markets were faced with strict and intensive macro-control policies and interest rate increased after rapid rises in housing prices in 2009 and early 2010. In April 2010, to curb the rapidly increasing housing prices and mitigate financial risk, the State Council implemented a 10-part adjustment policy on China's real estate market. Stricter housing credit policies were implemented requiring higher down-payments for second and above house purchases by one family, and increasing credit rates to reduce speculative housing purchases. The revenue growth was effectively curbed by the macro-control policies. The annual growth rate decreased from 35% in 2010 to 16% in 2011 and the annual growth rate maintained at below 16% since then.

Figure 9 — 1 Revenue of Real Estate Development and Management in China

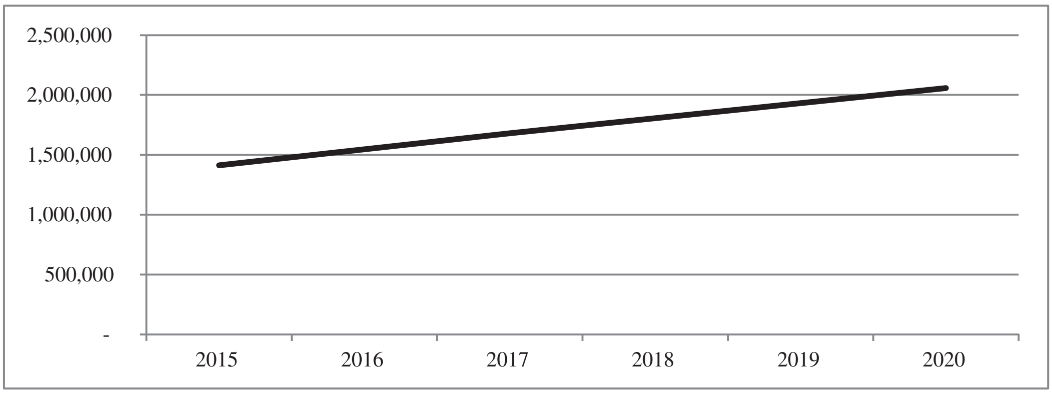


Source: IBISWorld and National Bureau of Statistics of China

Slowing down real estate market leaded to an oversupply of new homes. Data from the NBS showed that the mainland's unsold property amounted to a record 696 million square meters by the end of November 2015, up from 598 million square metres a year earlier. The increasing oversupply attracted the attention of the government; as a result the authorities have included destocking in the five economic targets for 2016. The central government has introduced a series of measures since late 2014 to boost home sales, including six mortgage rate cuts and relaxing of home buying restrictions.

A series destocking measures introduced by the government together with continue growing household incomes and the urbanization process encourages new demand for houses, revenue of the industry increased steadily. Revenue for the Real Estate Development and Management industry in China has been growing at an average annualized 13.1% to $1.41 trillion over the past five years to 2015.

Figure 9 — 2 Revenue Forecast of Real Estate Development and Management in China



Source: IBISWorld

IBISWorld forecasted that the industry will experience steady revenue growth at an annualized rate of 7.8% to $2.06 trillion in the five years to 2020. The reasons support the growth trend are analysed below:

China is expected to loosen monetary policies to stimulate economic growth. Following policies implemented in second-and third-tier cities, purchase limits on houses in first-tier cities will be relaxed. There will also be more financial and fiscal measures to encourage real estate transactions during the next two years.

Most properties, especially high value-added properties, are developed in urban areas. Increases in the urban population stimulate demand from residents for housing. As half of China's population is located rurally, and with the current urbanization trend in China, the urban population will continue to increase in the long run, resulting in enduring demand for residential housing. Therefore, strong demand from China's large population and accelerated urbanization process will support the industry's development. The urbanization rate is set to reach 60.0% by 2020, according to the National New Urbanization Plan.

Looking specifically at the property market in Nansha District, where the Project is located, a significant growth in selling price per square meter in 2015 is noted. According to a report, announced by a global property service provider Colliers International, it is indicated that total sales of new commodity housing in Guangzhou's nine central districts increased by 34% year-on-year to approximately 7.79 million square meters in 2015. The surge in sales volume was mainly due to the destocking measures described above. Growth trend in Nansha District is found to be in line with the surge in sales volume of Guangzhou in 2015. The average unit selling price per square meter of new residential property in Nansha District is shown below:

Table 9 — 1 Average unit selling price per square meter of new residential property in Nansha District

	Dag Gang	Huang Ge	Lan He	Nan Sha	Wan Xiang Sha	Zhu Jiang
2015/08	7,681	10,768	7,960	10,630	7,605	
2015/09	7,433	10,616	8,118	10,589	7,796	
2015/10	7,566	10,931	8,140	11,373	7,224	
2015/11	7,356	11,051	8,192	11,392	7,501	
2015/12	6,844	10,809	8,170	11,275	8,110	
2016/01	7,025	11,054	8,332	11,361	7,800	
2016/02		12,051	8,344	11,590	7,713	
2016/03	7,694	11,228	8,350	11,611	7,714	
2016/04	7,643	11,105	8,711	12,192	7,878	
2016/05	7,575	11,528	9,433	11,804	7,968	7,523
2016/06	7,697	13,244	9,407	13,487	7,747	7,890
2016/07	7,557	12,189	9,308	13,017	7,711	7,985
2016/08	7,614	12,461	9,555	12,469	8,006	8,192
Average	7,474	11,464	8,617	11,753	7,752	7,897.5

Source: http://housing.gzcc.gov.cn/tjxx/scfx/

Dozens of cities have relaxed restrictions on multiple home purchases since 2014. The new policy lets second-time buyers receive preferential mortgage rates usually reserved for first-time buyers. Moreover, the minimum down payment required from people buying a house for the second time was reduced from 60% of purchase price to 40% in March 2015. A notable rise in housing market was resulted in April 2015. The trend is expected to continue over the near future on condition that no further regulatory measures to be imposed by Beijing.

X. COMPANY OVERVIEW

10.1. Yuexiu Property Company Limited

The Company was listed on the Stock Exchange of Hong Kong Limited on December 15, 1992 as the 9th red chip company listed in Hong Kong under the stock code 123. It is principally engaged in development, selling and management of properties, holding of investment properties. The Company has established business presence in 12 cities, namely, Guangzhou, Hong Kong, Foshan, Zhongshan, Jiangmen, Yantai, Wuhan, Shenyang, Hangzhou, Haikou, Kunshan and Qingdao.

10.2. Guangzhou Zhongjing Huifu Property Development Limited

The Target Company was incorporated in China. It is a private company and principally engaged in property development. It tendered a land located at Guangzhou and launched the Project. In accordance with the local regulation, property under-development can start pre-sale if the stage of completion fulfilled the formulated requirement. Pre-sale of the Project was not yet started as at the Valuation Date. The construction work was still in progress.

XI. VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of the three approaches, namely the market approach, the income approach and the asset approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

11.1. Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

We considered but rejected the market approach for this valuation due to available public information in relation to transaction frequently involves specific parties who pay a premium/discount under its unique circumstances. It was difficult to make adjustment to reflect the unique circumstances of the Target Company and the development stage of the Project.

11.2. Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We considered but rejected the income approach to arrive at the fair value of the Equity Interest due to the Project was still at development stage and the pre-sale was not yet commenced as at the Valuation Date. The projection of the timing of cash flow was subject to uncertainties which affected profitability. However, the management of the Company expected that the pre-sale of the Project will be commenced at the beginning of 2018. A business plan and cash flow forecast have been developed by the management of the Company with best estimate. The generation of economic benefit streams in future could be estimated based on the business plan. This provides a reasonable basis to apply the income approach for cross-checking purpose in this valuation.

11.3. Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We considered and accepted the asset approach to estimate the fair value of the Equity Interest. In accordance with the International Valuation Standards (2013 Edition), the asset approach can be applied in the case of early stage or start-up businesses where profits and/or cash flow cannot be reliably determined and adequate market information is available on the entity's assets. In this valuation, the core asset of the Target Company was mainly a land. The development of the land was still ongoing and the Project is in early development stage. This fulfils the requirements of the International Valuation Standards (2013 Edition) to apply the asset approach. Furthermore, without forecasting the long term operational result, the sum of the fair value of the assets net of liabilities adjusted for the lack of marketability was a fair representative presentation of the fair value of the Equity Interest. In this valuation, the market value of the property was based on the endorsed opinion of a qualified surveyor of our firm. For details, please refer to the property valuation report in Appendix IB of this circular.

XII. GENERAL ASSUMPTIONS OF VALUATION

A number of general valuation assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation included:

1. There would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the Target Company is operated;

2. There would be no significant deviation in the industry trends and market conditions from the current market expectation;

3. There would be no major changes in the current taxation law in China and countries of origin of our comparable companies;

4. There would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;

5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and

6. The Target Company would retain competent management, key personnel, and technical staff to support the ongoing operation of its business.

XIII. ASSET APPROACH

The asset approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current fair market value of the business or its assets.

Details of the statement of financial position of the Target Company as at the Valuation Date were as follows:

Table 13 — 1 Summary of Assets and Liabilities of the Target Company as at the Valuation Date

As at 31 August 2016	Note	Book Value RMB	Fair value Adjustment RMB	Fair Value RMB
Current Assets				
Tax recoverable	1	8,689		8,689
Property under development	2	1,198,795,296	1,561,204,704	2,760,000,000
Bank and cash balances	1	6,122,372		6,122,372
Total current assets		**1,204,926,357**		**2,766,131,061**
Current Liabilities				
Current account with the holding company	1	(1,191,752,260)		(1,191,752,260)
Other payables	1	(10,575,616)		(10,575,616)
Total current liabilities		**(1,202,327,877)**		**(1,202,327,877)**
Net Asset Value of 100% Equity Interest				**1,563,803,184**
Discount for Lack of Marketability Adjustment	3		2%	**(31,276,064)**
Fair Value of 100% Equity Interest				**1,532,527,120**
Fair Value of 100% Equity Interest (rounded)				**1,532,527,000**

**Sum of individual figures may not equal the total amount due to rounding*

Note 1: These assets and liabilities were short term in nature. Thus, we assumed the book value can reflect the fair value of the assets and liabilities.

Note 2: Property under development represents land cost and property development cost incurred for the Project. For details about the valuation of the property under development, please refer to the property valuation report in Appendix IB of this circular.

Note 3: For details, please refer to the section for Discount for Lack of Marketability.

XIV. INCOME APPROACH FOR CROSS-CHECKING

14.1 **Major Assumptions**

Equity value is an economic measure reflecting the value to the equity holder. We develop the equity value by using a DCF method, which requires a number of assumptions, including revenue, development cost and expenses forecasts.

The essential elements of DCF are: (1) the expected earnings stream to be discounted, and (2) the discount rate.

The net cash flows from the Target Company were estimated, and we discounted the sum to a present value at the appropriate discount rate, as illustrated below:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \dots + \frac{E_n}{(1+k)^n}$$

E_1, E_2, E_3, etc.=	Expected economic income in the 1st, 2nd, 3rd periods, and etc.
E_n =	Expected economic income in the last period
k =	Discount Rate

The financial projection is prepared by the management of the Company. We have reviewed the calculation and discussed with the management of the Company about the validity of the projection. Our valuation is developed based on this financial projection and the assumption that properties sale and construction cost in the projection period will conform to those forecasted by the management of the Company.

Brief description of major assumptions has been shown as below:

14.1.1 **Basis of Cash Inflow from Revenue**

Revenue forecast of the Target Company is projected by the management of the Company. The total saleable area of the Project is 692,637m^2(in which 673,654m^2 is residential property and 18,983m^2 is commercial property) with 2,068 units of car parking space. The property sale of the Project is expected to be started in 2018. The unit selling price per square meter for residential property and commercial property will be set at RMB15,100 and RMB40,100 respectively. The selling price per unit of car parking space will be set at RMB133,500. The management of the Company expected that the unit selling price of residential property will be increased by 5% per annum which make reference to the residential property market growth rate in Nansha District in 2015. For residential property and car parking space, the unit selling prices are expected to be increased by 3% per annum which associated with the inflation.

Table 14 — 1 Sale Plan of the Target Company

Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Residential									
Unit Selling Price(RMB/m^2)	13,000	13,800	14,600	15,500	16,400	17,400	18,400	19,500	n/a
Sale Area (m^2)	0	0	202,096	202,096	134,731	67,365	33,683	33,683	0
Commercial									
Unit Selling Price(RMB/m^2)	36,000	38,900	40,100	41,300	42,500	43,800	45,100	46,500	n/a
Sale Area (m^2)	0	0	949	2,847	5,695	5,695	1,898	1,898	0
Car Parking Space									
Unit Selling Price(RMB/unit)	120,000	129,600	133,500	137,500	141,600	145,800	150,200	154,700	n/a
Sale (Unit)	0	0	414	414	517	517	103	103	0

The management of the Company assumed that 85% deposit will be received in the year of property sale and 15% final payment will be settled in the following year. Cash inflow from property sale is projected as follows:

Table 14 - 2 Projected Cash Inflow from Property Sale

Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Property Sale (RMB million)	**0**	**0**	**2,586**	**3,264**	**2,637**	**1,645**	**835**	**753**	**114**

14.1.2 **Basis of Cash Outflow on Cost of Revenue**

The cost of revenue represents the development costs of the properties, value-added tax ("VAT") and tax surcharge. Cost of revenue is projected by the management of the Company. Cash outflow on cost of revenue is projected as follows:

Table 14 - 3 Projected Cash Outflow on Cost of Revenue

Total Development Cost (RMB)	3,318,832,686
Construction Area (m^2)	966,626
Cost per m^2 (RMB)	3,433

(RMB million)	**2016 (4 months)**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Development Cost	—	663	829	829	663	332	—	—	—
Tax Surcharge	—	—	162	176	134	80	38	40	—
Total Cost of Revenue	**—**	**663**	**991**	**1,005**	**798**	**411**	**38**	**40**	**—**

**Sum of individual figures may not equal the total amount due to rounding*

According to the management of the Company, there will be VAT and tax surcharge throughout the projection period. For the rate of VAT and tax surcharge, please refer to the table below.

Table 14 — 4 Summary of Tax Rate Levied

	Tax Rate
VAT	5% of the total incomes
City maintenance and construction tax	7% of VAT
Education surcharge	3% of VAT
Other surcharges	2% of VAT

Source: management of the Company

14.1.3 **Operating Expenses**

Operating expenses represent selling expenses, administrative expenses and land appreciation tax. Operating expenses forecast is prepared by the management of the Company. It is assumed that selling expenses and administrative expenses will be amounted to 3.56% and 3.12% of total revenue of the Project respectively. The anticipated total expenses would be paid evenly throughout the projection period.

It was expected that LAT would be prepaid yearly based on the percentage of revenue and fully settled in 2024. In 2024, a significant tax loss would be occurred due to the LAT payment. It was assumed that tax refund could be claimed on the tax loss at a rate of 25% with reference to the corporate income tax rate in China. The future LAT payment would be subject to the actual tax filling and the tax assessment of State Administration of Taxation.

Table 14 — 5 Operating Expenses Forecast

(RMB million)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Selling Expenses	—	—	95	103	79	47	22	24	—
Administrative Expenses	19	57	59	59	59	58	58	58	—
LAT	—	—	53	68	59	39	19	17	1,948
Total Operating Expenses	**19**	**57**	**207**	**231**	**196**	**144**	**100**	**99**	**1,948**

14.1.4 **Basis of Capital Expenditure**

As the Target Company is engaged in development and sale of property, limited acquisition of property, plant and equipment is expected in the operation of the Project. Management of the Company estimated that the capital expenditure will be RMB100,000 in 2016. Annual capital expenditure of RMB200,000 will be incurred for the year 2017 to 2020. Such capital expenditure mainly comprises purchase of furniture and equipment for supporting the daily operation of the back office.

14.2 **Determination of Discount Rate**

We developed the cost of equity ("R_e") and the cost of debt ("R_d") for this valuation based on the data and factors relevant to the economy, the industry and the Target Company as at the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital ("WACC").

14.2.1 **Development of Weighted Average Cost of Capital**

We considered market and industry data to develop the WACC for this valuation.

The traditional formula for calculating the WACC is:

$$\mathbf{WACC = [(\%D) \times (R_d) \times (1 - Tax\ Rate)] + [(\%E) \times (R_e)]}$$

Where	WACC:	Weighted Average Cost of Capital;
	%D:	Weight of Interest Bearing Debt;
	R_d:	Cost of Debt;
	%E:	Weight of Equity; and
	R_e:	Cost of Equity

14.2.2 **Development of Cost of Equity**

We considered the Modified Capital Asset Pricing Model ("MCAPM") to calculate the R_e for this valuation.

Modified Capital Asset Pricing Model

MCAPM, as applied to this valuation, can be summarized as follows:

$$\mathbf{R_e = R_f + Beta \times ERP + RP_s + RP_c + RP_u}$$

Where	R_e:	Cost of Equity;
	R_f:	Risk Free Rate;
	Beta:	A measure of systematic risk;
	ERP:	Equity Risk Premium;
	RP_s:	Size Premium;
	RP_c:	Country Risk Premium; and
	RP_u:	Specific Company Adjustment

1. **Risk Free Rate**

R_f was found by looking at the yields of the Hong Kong government bond. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted. We relied on the yield of the 10-Year Hong Kong Sovereign yield curve as at the Valuation Date.

2. **Beta**

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas from Guideline Public Companies. The identified betas were unlevered to remove the effects of financial leverage with the consideration of the effective tax rate and the debt-to-equity ratio of the Guideline Public Companies on the indication of relative risk provided by the beta, and re-levered at the capital structure of the Target Company.

The formula to calculate the unlevered beta, can be illustrated as below:

$$Bu = \frac{BL}{(1 + (1 - Te) \text{ x } (D/E))}$$

Where	Bu:	Un-levered Beta;
	BL:	Levered Beta;
	Te:	Effective Tax Rate of the Guideline Public Companies; and
	D/E:	Debt-to-equity Ratio of the Guideline Public Companies

The formula to calculate the re-levered beta, can be illustrated as below:

$$Br = Bu \text{ x } (1 + (1 - Tc) \text{ x } (D/E))$$

Where	Br:	Re-levered Beta;
	Bu:	Un-levered Beta;
	Tc:	Corporate Tax Rate of the Target Company; and
	D/E:	Debt-to-equity Ratio of the Public Guideline Companies

3. **Selection of Guideline Public Companies**

As aforementioned, the Guideline Public Companies are selected to compute beta in our determination of R_e. One would start with a description of the subject company, in terms of lines of business, markets served, size and other criteria.

For this valuation, we have searched information from Bloomberg and reviewed the business description on the website of the Guideline Public Companies to ensure the companies adopted are fair and representative. We have selected the companies which are engaged in property development in China, the shares are listed on the Hong Kong Stock Exchange and the revenue are mainly generated from China which is comparable to the Target Company. The following is the list of Guideline Public Companies that we have reviewed and selected in connection with this valuation:

Table 14 — 6 Guideline Public Companies

	Guideline Public Companies	Ticker	Business Activities
1.	Yuexiu Property Co Ltd	123 HK	• Develops, manages and invests in properties.
2.	Yuzhou Properties Co Ltd	1628 HK	• Develops residential properties in southern China.
3.	Beijing Capital Land Ltd	2868 HK	• Develops medium to high-end residential properties.
4.	Future Land Development Holdings Ltd	1030 HK	• Develops residential properties and mixed-use complex projects.
5.	Glorious Property Holdings Ltd	845 HK	• Develops residential and commercial properties.
6.	Times Property Holdings Ltd	1233 HK	• Develops properties in southern China.
7.	China Overseas Grand Oceans Group Ltd	81 HK	• Develops and sale property.
8.	C C Land Holdings	1224 HK	• Develops and invests in properties in Western China.
9.	China Aoyuan Property Group Ltd	3883 HK	• Develops retails shops and integrated residential projects.
10.	Central China Real Estate Ltd	832 HK	• Develops property in China.
11.	Top Spring International Holdings Ltd	3688 HK	• Invest in residential properties development projects.
12.	Lai Fung Holdings Ltd	1125 HK	• Develops and invests in commercial and residential properties in China.
13.	Chuang's China Investments Ltd	298 HK	• Develops and invests in properties in China.
14.	Dynamic Holdings Ltd	29 HK	• Invests in and develops properties.
15.	Xiwang Property Holdings Co Ltd	2088 HK	• Develops residential, commercial, agricultural and industrial properties in China.

Source: Bloomberg

Table 14 — 7 Summary of Beta

	Un-Levered Beta	Re-levered Beta
Yuexiu Property Co Ltd	0.54	1.69
Yuzhou Properties Co Ltd	0.39	1.24
Beijing Capital Land Ltd	0.24	0.75
Future Land Development Holdings Ltd	0.47	1.47
Glorious Property Holdings Ltd	0.17	0.53
Times Property Holdings Ltd	0.25	0.79
China Overseas Grand Oceans Group Ltd	0.49	1.55
C C Land Holdings	0.87	2.76
China Aoyuan Property Group Ltd	0.31	0.97
Central China Real Estate Ltd	0.43	1.35
Top Spring International Holdings Ltd	0.23	0.74
Lai Fung Holdings Ltd	0.32	1.01
Chuang's China Investments Ltd	0.49	1.55
Dynamic Holdings Ltd	0.83	2.61
Xiwang Property Holdings Co Ltd	0.89	2.80

Median Un-Levered Beta	Median Re-levered Beta
0.43	1.35

Source: Bloomberg

4. **Equity Risk Premium ("ERP")**

We adopted the recent 30 years of equity risk premium of the market where the subject company is located. The long term equity risk premium of the United States market is multiplied by the relative volatility between S&P 500 and equity indices of respective country where the subject company is located to obtain the equity risk premium of the respective country. The volatility of the United States equity market and other equity indices are developed based on the daily closing price of the indices which obtained from Bloomberg database. This is one of the common market practices in estimating the equity risk premium of different countries. The formula to calculate the ERP, can be illustrated as below:

U.S. ERP x Volatility of respective equity indices / Volatility of S&P 500

We also made reference to the ERP published by Prof. Aswath Damodaran of New York University. We took average of the aforesaid two ERPs and adopted in this valuation.

5. **Size Premium ("RP_s")**

RP_s, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In this valuation, we applied the RP_s return in excess of CAPM in the United States. We relied on the studies performed by Duff & Phelps as reflected in their 2016 Valuation Handbook: Guide to Cost of Capital.

6. **Country Risk Premium ("RP_c")**

RP_c is the additional risk associated with investing in other foreign markets rather than in the domestic market. We made reference to the research on country risk premium published by Prof. Aswath Damodaran of New York University in January 2016 and adopted in this valuation. According to the research, the country risk premium applied to China and Hong Kong are as follows:

Table 14 — 8 Country Risk Premium of China and Hong Kong

Location	*Country Risk Premium*
China	0.90%
Hong Kong	0.59%
Difference	0.31%

Source: http:// pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

We considered 0.31% RP_c is applicable for investing in China by a Hong Kong investor by reference to the country risk difference between these two places on the basis set out above. We considered this adjustment is reasonable as a rational investor would ask for additional returns to compensate the additional risk in cross countries projects.

7. **Specific Company Adjustment (“RP_u”)**

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to the Target Company.

Firm specific risk factors may include the following:

1. Abnormal competition
2. Customer concentration
3. Size smaller than the Guideline Public Companies
4. Poor access to capital
5. Thin management
6. Lack of business diversification
7. Potential environment issue
8. Potential litigation
9. Narrow distribution channels
10. Obsolete technology
11. Dim company outlook

The magnitude of the RP_u depends on the corresponding risk level of the valuation subject and whether the underlying risk has been fairly captured by the other factors. In this valuation, the Project was still under development as at the Valuation Date. Sale of the properties was not yet commenced. Furthermore, the property market in China is sensitive to the government policy which is uncontrollable. The projected unit selling price and the sale plan are subject to high uncertainty which will affect the reliability of the projected cash flow of the Target Company. Overall speaking we consider an additional 5% RP_u, on the unadjusted value can reasonably reflect such risks.

Table 14 — 9 Cost of Equity Conclusion

MCAPM	
R_f	0.85%
Beta	1.346
ERP	7.07%
RP_s	5.60%
RP_c	0.31%
RP_u	5.00%
R_e	21.27%

14.2.3 **Development of Cost of Debt**

In order to estimate the R_d for this valuation, we relied on China above 1 to 5-year Best Lending rate and gross up 10%, which is 5.23% as at the Valuation Date.

14.2.4 **Weighted Average Cost of Capital**

We have "levered" the Target Company as if it mirrored the median percentage of debt as the comparable companies on the assumption that over time, the Target Company would need to approach the median amount of debt of the Guideline Public Companies. Subsequent to the calculations of the R_e and the R_d, the calculation of the WACC, or the discount rate, therefore becomes:

Table 14 - 10 Weighted Average Cost of Capital

WACC	
Weight of Interest Bearing Debt	74.20%
x Cost of Debt	5.23%
x (1 — Tax Rate)	75.00%
Weighted Cost of Debt	**2.91%**
+	
Weight of Equity	25.80%
x Cost of Equity	21.27%
Weighted Cost of Equity	**5.49%**
Weighted Average Cost of Capital (Applied Discount Rate)	**8.40%**

XV. **DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")**

DLOM is one of the valuation adjustments with significant monetary impact on the final determination of fair value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the fair value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by the management in order to sell a controlling interest. This typically would take at least three to nine months if a transaction could be consummated at all. Furthermore, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees. In this valuation, the business structure and the assets and liabilities involved are simple. As discussed previously, core asset of the Target Company was a land which has been revalued to market value. The remaining assets and liabilities are current in nature and contributed to an insignificant amount to the total net asset of the Target Company. In view of the above, 2% DLOM was considered to be sufficient in covering the expenses incurred to sell the Target Company i.e. transaction cost, commission, administration expenses, legal fee etc., and was applied for the purpose of this valuation.

XVI. SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods and the respective valuation bases that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of the Target Company are discussed.

Market Approach	
Guideline Public Company Method	N/A
Application	Rejected
Income Approach	
Discounted Cash Flow Method	RMB1,606,833,000
Application	Rejected
Asset Approach	
Adjusted Net Assets Method	RMB1,532,527,000
Application	Accepted

The asset approach is preferable in this valuation. We considered that it is reasonable to apply the asset approach to conclude the fair value of the Equity Interest as the development is still at early stage and pre-sale was not yet commenced. No operating information is available as reference to the cash flow forecast. The cash flow forecast involved various assumptions such as the unit selling price, the price growth rate and sale plan which are uncertain and affect the reliability of the cash flow forecast. On the other hand, the core asset of the Target Company was a land only. Without forecasting the long term operational result, the sum of the fair value of the assets net of liabilities adjusted for lack of marketability was a fair representative presentation of the fair value of the Equity Interest.

The income approach would be an alternative assessment on the value of the Equity Interest based on the business plan of the Target Company. This could provide further reference on the value based on the Target Company's financial projection and business plan, but constitute no impact on our valuation conclusion. We concluded the fair value of the Equity Interest based on the asset approach.

XVII. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Company. Furthermore, we have not assessed any potential tax implication incidental to the transaction, in which the Company should seek advice from the tax adviser.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation were provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review were reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflected facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XVIII. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it was our opinion that the fair value of the 100% equity interest in Guangzhou Zhongjing Huifu Property Development Limited as at 31 August 2016 was as follows:

	Fair Value as at 31 August 2016
100% equity interest in Guangzhou Zhongjing Huifu Property Development Limited (rounded)	**RMB1,532,527,000**

The opinion of value was based on generally accepted valuation procedures and practices that relied extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which could be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Max K.P. Tsang,
CPA, CFA, FRM
Director

Analysed and Reported by:
Marvin K.C. Wong,
CPA
Manager, Business Valuation & Transaction Advisory

Faye C.Y. Chan
Assistant Manager, Business Valuation & Transaction Advisory

INVOLVED STAFF BIOGRAPHY

Max K.P. Tsang, *CPA, CFA, FRM*

Director

Mr. Tsang is presently the Director of Greater China Appraisal Limited. Mr. Tsang is experienced in business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support purposes. The valuation services provided included business valuation, intangible asset valuation (such as trademarks, distribution networks, patents and customer relationship), biological assets valuation, mining valuation and financial instrument valuation. Mr. Tsang has extensive experience in serving private and listed enterprises in Hong Kong, China, Singapore and the United States. His experience covers a wide range of industries including agriculture, financial services, infrastructure, telecommunications, information technology, retail, real estate, mining and multimedia.

Marvin K.C. Wong, *CPA*

Manager, Business Valuation & Transaction Advisory

Mr. Wong is experienced in performing business valuation of business for private and public companies on industries including but not limited to tea plantation, forest, infrastructure, manufacturing, marketing, pharmacy and trading. He has experience in valuation of intangible Asset including customer relationships, trademarks of an international toy company, concession right, mining right, patents and distribution network of a pharmaceutical company, etc.

Faye C.Y. Chan, *CPA (Aust.)*

Assistant Manager, Business Valuation & Transaction Advisory

Ms. Chan is experienced in performing valuation for financial reporting and merger and acquisition purposes. She is experienced in performing business valuation of business for private and public companies from different industries including foresting, manufacturing, medical and trading and information technology.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

The following is the text of a letter, a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 August 2016 of the Nansha Project.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

23 November 2016

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

Dear Sir,

Re: **Valuation of a parcel of land located at the phase 16 of Yitao Wanguo Garden, Huanshi Avenue North, Nansha District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")**

In accordance with the instructions from Yuexiu Property Company Limited (the "Company") for us to value the captioned real property (the "Real Property"), details of which are provided in the enclosed valuation certificate, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interest as at 31 August 2016 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the Real Property and the limiting conditions.

I. BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean "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".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

The real property interest is valued by comparison method where comparison based on prices realized or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the real property interest. Adjustments in the prices of the comparable properties are then made to account for the identified differences between such properties and the real property interest in the relevant factors.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interest on the open market in its existing state without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interest.

As the Real Property is held under long term land use rights, we have assumed that the owners of the real property interest have free and uninterrupted rights to use or transfer the real property interest for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the Real Property, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHIP INVESTIGATION

We have been provided with copies of legal documents regarding the Real Property. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liability attached to the Real Property.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal advisor — 廣東格林律師事務所 (Greenleaf Law Firm) in relation to the legal title to the Real Property. All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the Real Property set out in this report.

V. LIMITING CONDITIONS

We have inspected the Real Property. However, no structural survey has been made and we are therefore unable to report as to whether the Real Property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the Real Property but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any real property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, occupation, development scheme, construction costs, site and floor areas and in the identification of the Real Property. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the Real Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Since the Real Property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the Real Property depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

VI. OPINION OF VALUE

Our opinion of the market value of the real property interest is set out in the attached valuation certificate.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the Real Property was conducted in September 2016 by Mr. Terry C. H. Fung (MSc).

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Renminbi (referred to as "RMB").

We enclose herewith our valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FRICS, MHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 28 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

VALUATION CERTIFICATE

Real property interest held for future development

Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2016
A parcel of land located at the phase 16 of Yitao Wanguo Garden, (lot no. 440115001001 GB00018) Huanshi Avenue North, Nansha District, Guangzhou City, Guangdong Province, the PRC	The Real Property comprises a parcel of land with a site area of approximately 341,488 square metres. According to the information provided by the Company, the permitted gross floor area of the real property is approximately 692,637 square metres. The land use rights of the Real Property are held for terms of 40 years for commercial use and 70 years for residential use commencing from 23 November 2001.	Upon our site inspection, the Real Property is currently vacant.	RMB2,760,000,000 (Renminbi Two Billion Seven Hundred and Sixty Million)

Notes:

(i) According to a State-owned Land Use Rights Grant Contract (the "Land Contract") entered into between 廣州南沙經濟技術開發區國土辦公室 (translated as "Guangzhou Nansha Economic and Technological Development Zone Stated-owned Land Office") (the "Land Vendor") and 廣東逸濤萬國房地產有限公司 (translated as "Guangdong Yitao Wangou Real Estate Company Limited") ("Yitao Wangou") dated 29 July 2000, the land use rights of a parcel of land with a site area of approximately 341,488 square metres were contracted to be granted to Yitao Wangou for commercial and residential uses for a term of 70 years. The Land Contract contains, inter alia, the following salient conditions:

Building covenant	:	Yitao Wangou should commence construction within two years and complete construction by the end of December 2002.

(ii) Pursuant to a 公司分立協議書 (translated as "Company separation agreement") dated September 2011, the Real Property was contracted to be allocated to 廣州中璟慧富房地產開發有限公司 (Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd) (the "Project Company").

(iii) According to a State-owned Land Use Rights Certificate (Shui Fu Guo Yong (2014) Di 04100105 Hao) issued by the People's Government of Guangzhou City dated 5 February 2015, the land with site area of approximately 341,488 square metres was granted to the Project Company for terms of 40 years for commercial use and 70 years for residential use commencing from 23 November 2001.

(iv) According to a reply letter regarding to provision of construction land use planning conditions (關於提供建設用地規劃條件的復函) (known as Sui Gui Nan Han (2016)507 Hao) issued by the State-owned Land Resources and Planning Bureau of Guangzhou Nansha Development Zone dated 11 August 2016, the residential permitted gross floor area is not greater than 692,637 square metres.

(v) We have been provided with a legal opinion regarding the real property interest issued by the Company's PRC legal advisor which are summarised below:

(a) According to the Land Contract, Yitao Wangou has legally obtained the rights to use the Real Property. However, the Real Property is subject to unexploited condition. If strictly comply with the Land Contract, Yitao Wanguo may theoretically subject to penalty for breach of contract or subject to the risk of the Real Property being taken back. Since the Real Property was historically belonged to the phase 16 of Yitao Wanguo Garden, for the development of land in phases, as long as previous phases of development has commenced, the land to be developed in the latter stages will not be identified as idle land. Moreover, as the Real Property has been transferred to the Project Company, so far there is no punishment or treatment received from the government department. Therefore, the possibility of being punished by the housing management authority is relatively low;

(b) Yitao Wangou has transferred the Real Property to the Project Company, and the transfer complied with the laws for the corresponding transfer procedures;

(c) the Project Company has legally obtained the State-owned Land Use Rights Certificate of the land parcel and is the only legal owner and can legally and effectively enjoy the land use rights;

(d) the Project Company has the rights to carry out the development and construction of the land in accordance to the planning conditions. The land and superstructure to be erected thereon can be freely transferred and mortgaged in accordance to the laws; and

(e) the land parcel is not subject to any mortgage or judicial seizure.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 August 2016 of the 100% equity interest in Talent Sky Enterprises Limited.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

23 November 2016

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

Dear Sirs/Madams,

Valuation of 100% Equity Interest in Talent Sky Enterprises Limited

In accordance with the instructions from Yuexiu Property Company Limited (the "Company"), we were engaged to perform a valuation analysis in relation to the fair value of 100% equity interest (the "Equity Interest") in Talent Sky Enterprises Limited ("TSEL") and its subsidiary (the "Target Group") as at 31 August 2016 (the "Valuation Date"). As at the Valuation Date, TSEL owned Techcon Investment Limited ("TIL"). TIL owned the land use right and the South China Hotel, which were located at 67-75 Java Road, North Point, Hong Kong.

It is our understanding our analysis will be used by the management of the Company for transaction reference purpose only. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is fair value; while the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used for transaction reference purpose only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company in evaluating the fair value of the Equity Interest as at the Valuation Date.

III. BASIS OF VALUATION

We have performed valuation of the Equity Interest on the basis of fair value. The opinion of value in the valuation will be on the basis of fair value which we would define as intended to mean "the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties".

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the Target Group. It takes account of what is physically possible, financially feasible and legally permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and

4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

V. LEVEL OF VALUE

Valuation is a range concept and current valuation theories suggest that there are three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest**: the value of the controlling interest, always evaluate an enterprise as a whole;

2. **As if freely tradable minority interest**: the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and

3. **Non-marketable minority interest**: the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VI. SOURCES OF INFORMATION

Our analysis and conclusion was based on our discussions with the management of the Company, as well as reviews of key documents and records, including but not limited to:

1. Consolidated management accounts of the Target Group as at 31 August 2016;

2. Audited financial statements of TSEL for the year ended 31 December 2011, 2012, 2013, 2014 and 2015;

3. Financial forecast of the Target Group prepared by the management of the Company;

4. Sales plan prepared by the management of the Company; and

5. Development cost forecast prepared by the management of the Company.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

VII. TRANSACTION OVERVIEW

Per discussion with the management of the Company, the transaction would be a disposal of 100% equity interest in the Target Group. As at the Valuation Date, the core asset of the Target Group were the land use right and the South China Hotel. The management of the Company expected that the introduction of such transaction could help to enhance the performance of the Company, in which in line with the Company's development strategy. The determination of the consideration on the 100% equity interest will make reference to the fair value of the Equity Interest as at the Valuation Date.

VIII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of Hong Kong where the profit of the Target Group is derived, and how the valuation of the Target Group may be impacted.

1. **Gross Domestic Product**

Hong Kong, a global free port and financial hub, continues to thrive on the free flow of goods, services and capital. As an economic and financial gateway to China, and with an efficient regulatory framework, low and simple taxation, sophisticated capital market and excellent telecommunications, Hong Kong continues to offer the most convenient platform for international companies doing business on the mainland.

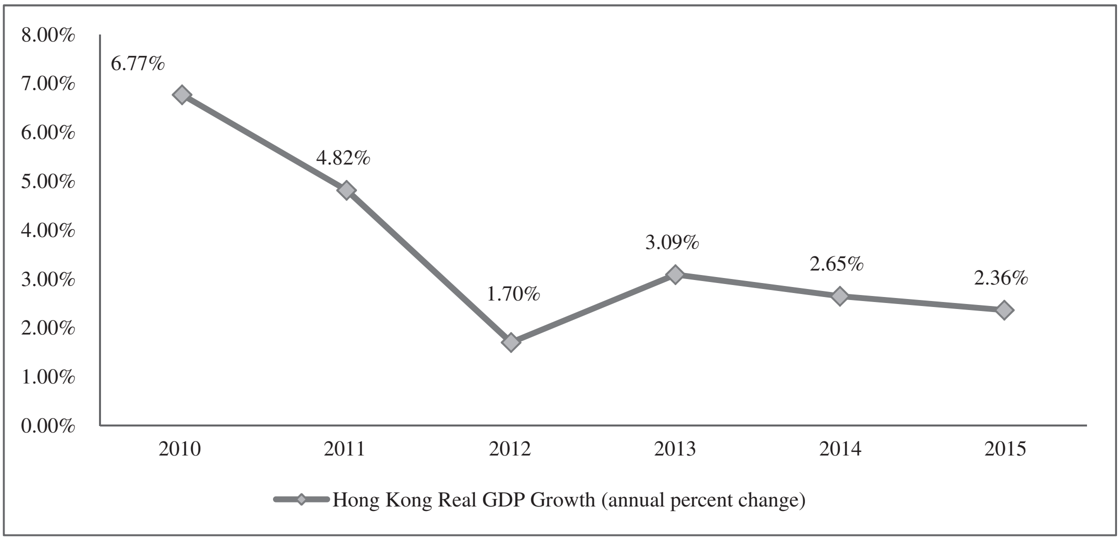
As of 2015, the territory continues to become the world's freest economy and the world's most services-oriented economy, with services sector contributing for more than 90% of Hong Kong's gross domestic product ("GDP").

Hong Kong's economy kept steady growth in 2015 with the resilient domestics demand. According to Hong Kong Trade Development Council ("HKTDC"), Hong Kong's economy expanded by 2.4% year-on-year in real terms in 2015 compared with the growth of 2.6% in 2014. According to the World Economic Outlook Database published by International Monetary Fund ("IMF") in April 2016, the real GDP of Hong Kong has increased by 2.65% and 2.36% in 2014 and 2015 respectively after the gradual recovery from the global financial tsunami in 2008 and the euro debt crisis in recent years.

Hong Kong's economic growth in 2016 is expected to remain moderate but subject to the risks relating to slower economic growth prospects in China and slow economic recovery in the Eurozone and Japan.

The following graph and table illustrate the real growth of GDP in Hong Kong from 2010 to 2015 and the forecast from 2016 to 2020 respectively.

Figure 8 — 1 Summary of Real GDP Growth (%) in Hong Kong from 2010 to 2015



Source: World Economic Outlook Database, April 2016, IMF

Table 8 — 1 Forecast of Real GDP Growth (%) in Hong Kong from 2016 to 2021

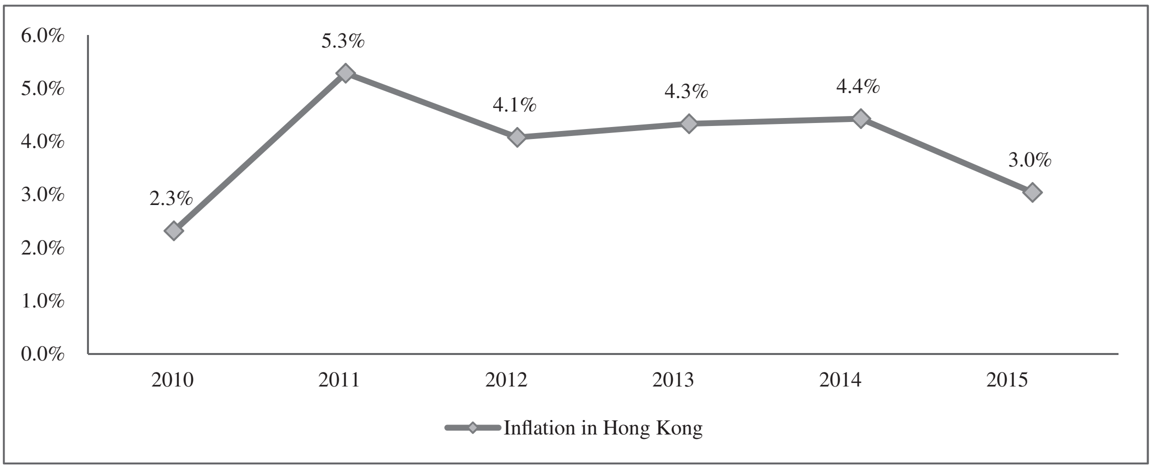
	2016F	2017F	2018F	2019F	2020F	2021F
Real GDP Annual Growth Rate	2.15%	2.44%	2.64%	2.77%	2.98%	3.12%

Source: World Economic Outlook Database, April 2016, IMF

2. **Inflation Rate**

Inflation continued to ease. Overall rentals continue to rose but the rises were generally modest. With steady increase in labour costs and mild imported inflation, the inflation rate in Hong Kong was recorded at 3.0% in 2015, reported by IMF. With the softening of global commodity prices in the past year, imported inflation will remain wild. Retail sales have weakened recently, and rental pressure is less than that in previous years. The annual inflation rate for 2016 is likely to be lower than that of 2015. According to the World Economic Outlook Database published by IMF, the inflation rate for 2016 is expected to drop to 2.5%. The following graph and table illustrate the inflation trend in Hong Kong from 2010 to 2015 and the inflation forecast in Hong Kong respectively.

Figure 8 — 2 Summary of Inflation Rate in Hong Kong from 2010 to 2015



Source: World Economic Outlook Database, April 2016, IMF

Table 8 — 2 Forecast of Inflation Rate (%) in Hong Kong from 2016 to 2021

	2016F	2017F	2018F	2019F	2020F	2021F
Inflation (% change in average consumer prices)	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%

Source: World Economic Outlook Database, April 2016, IMF

3. **Export Performance**

Hong Kong exporters' confidence dropped to its lowest level in two years. According to HKTDC, Hong Kong's merchandise exports fell 6.8% year-on-year in January-March 2016, after dropping by 1.8% in 2015. For 2016 as a whole, Hong Kong's merchandise exports are projected to level off at the 2015 level amid the sluggish global demand. Rampant deflationary pressure worldwide, volatilities in the global financial landscape, the development of regional trade agreements, as well as lingering geopolitical threats and increased terrorist concerns are potential threats to the export outlook. On the supply side, Hong Kong exporters have to live with a challenging production environment on the mainland China, especially in the Pearl River Delta, which include the rising input costs. The following graph illustrates the growth in the volume of exports in Hong Kong from 2010 to 2015:

Figure 8 — 3 Summary of Export Growth (%) in Hong Kong from 2010 to 2015

Source: World Economic Outlook Database, April 2016, IMF

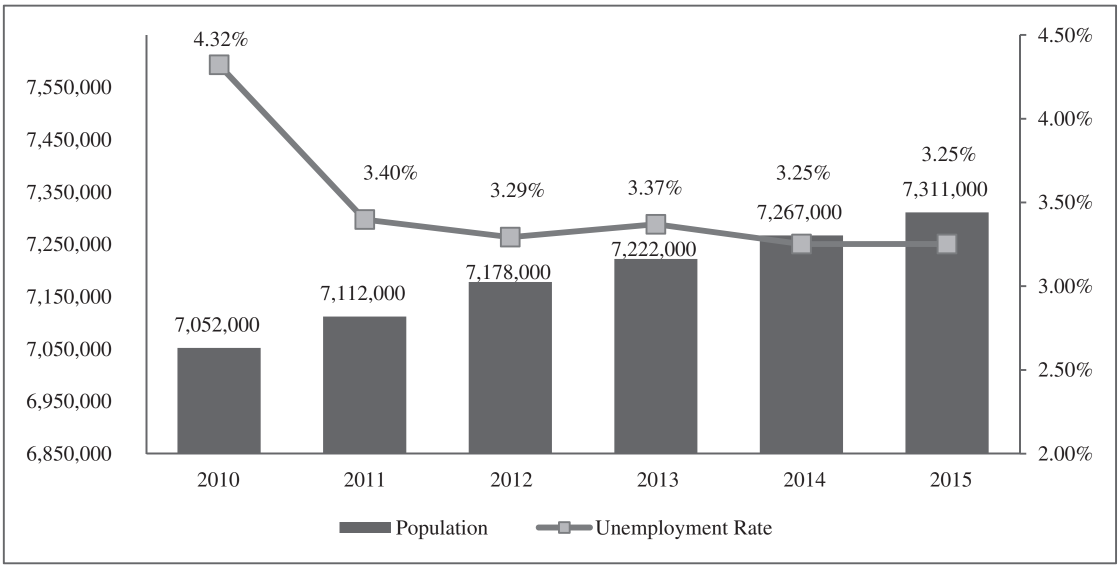
Trading and logistics, tourism, financial services, and professional services and other producer services account for approximately 60% of GDP in total. In accordance with the 2015 Policy Address, in order to broaden the long term economic development and develop a more balanced Hong Kong economic structure, Hong Kong government has been offering more incentives to develop six new industries; namely, education, medical services, testing and certification services, environmental industry, cultural & creative industries and innovation and technology industry, according to the information released by HKTDC.

Major export market of Hong Kong are Chinese mainland, the European Union , the United States, ASEAN and Japan, which accounts for approximately 52%, 9%, 9%, 8% and 4% of total exports in first 3 months of 2016, respectively. According to the information released by HKTDC, Hong Kong was ranked the 7th in the world's largest trading economy and the 14th in the world's largest exporter of commercial services.

4. **Population and Unemployment Rate**

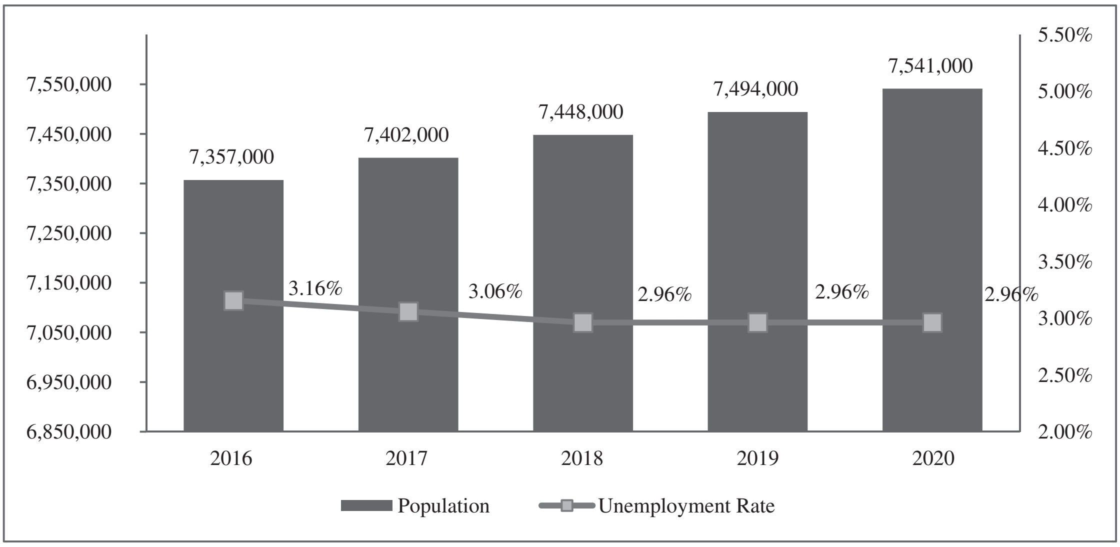
The population in Hong Kong has been increasing steadily from 7.05 million in 2010 to 7.31 million in 2015, while unemployment rate has dropped from 4.3% in 2010 to 3.2% in 2015. The population is estimated to reach 7.54 million in 2020 and the unemployment rate in the long run would stay below 3%. The following graphs show the population and unemployment trend in Hong Kong from 2010 to 2015 and the forecast from 2016 to 2020 respectively:

Figure 8 — 4 Summary of Population and Unemployment Rate in Hong Kong from 2010 to 2015



Source: World Economic Outlook Database, April 2016, IMF

Figure 8 — 5 Forecast of Population and Unemployment Rate in Hong Kong from 2016 to 2020



Source: World Economic Outlook Database, April 2016, IMF

5. **Budget and Government Initiatives**

The 2015-16 Budget laid out supportive taxation measures to promote long term development of Hong Kong and strengthen its position as an international business hub. The government aims at 1) raising the efficiency in the flows of people, goods, capital and information, providing a favourable environment for start-up and technology industries to flourish; 2) consolidating the core competence of the four pillar industries; 3) helping small and medium enterprises ("SMEs") such as intellectual property consulting and talent management in coping with various challenges and 4) outlining and providing measures to overcome the constraints of manpower, land supply and an aging population to Hong Kong's future development.

The 2016 Policy Address highlighted that the Hong Kong Government will focus to achieve the following targets:

- Actively facilitate and participate in the National 13th Five-Year Plan and the Belt and Road Initiative to create new opportunities;
- Set up Hong Kong Maritime and Port Board to promote manpower training, marketing and research to develop high value-added maritime services sector;
- Develop high value-added tourism such as cultural and creative tourism and organising more mega events, and enhance publicity;
- Introduce pilot measures to promote local fashion design and brands and implement the Fashion Incubation Programme;
- Implement a pilot scheme to enhance manpower training for insurance, asset and wealth management sectors; and
- Implement the new agriculture policy, including establishing an agricultural park and setting up a $500 million Sustainable Agricultural Development Fund.

IX. INDUSTRY OVERVIEW

Hong Kong's residential property market has risen relentlessly for several years. From 2008 to 2013, house prices skyrocketed by 134% (95.7% inflation-adjusted), driven higher by a flood of money from developed markets' central banks in the wake of the global financial crisis. However, the market slowed sharply in the first half of 2014, with house prices rising only by 2.9%, due to government cooling measures. But the housing market bounced back quickly in the second half of 2014, with prices rising by 8.2% in Q4 2014, 14.6% in Q1 2015, 16.9% in Q2 2015, and 12.7% in Q3 2015. Hong Kong's currency peg to the dollar kept borrowing costs near record lows, fuelling continued property demand. Hong Kong is known for having one of the most expensive real estate sectors in the world, in both commercial and residential space. As property value increase, the tendency with Hong Kong property owners is to leave property vacant whilst waiting for a better time to sell it on.

Figure 9 — 1 Hong Kong House Price Index (1997=100)

Source: Tradingeconomics.com

However, the housing market has slowed sharply in the past several months mainly due to the sharp decline in the flow of money following the intensification of government crackdowns on the wealthy in Mainland China. Also, other factors are now aggravating the situation, including the following:

- the increase in housing supply;
- intensified competition from other global cities like Tokyo, Singapore or London;
- Hong Kong's economic slowdown;
- the potential interest rate rise in the U.S. this December 2016, and;
- the continuing implementation of government cooling measures.

According to the latest release from Midland Realty Property, the average transaction prices for the 18 districts have achieved an overall rise, of which Central & Western District recorded a 6.6% increase, with average transaction price reaching HKD $18,189 per square feet, and ranked the first. In terms of transaction volume, Kowloon City District gained a bigger 28.4% rise in September comparing to August than other districts.

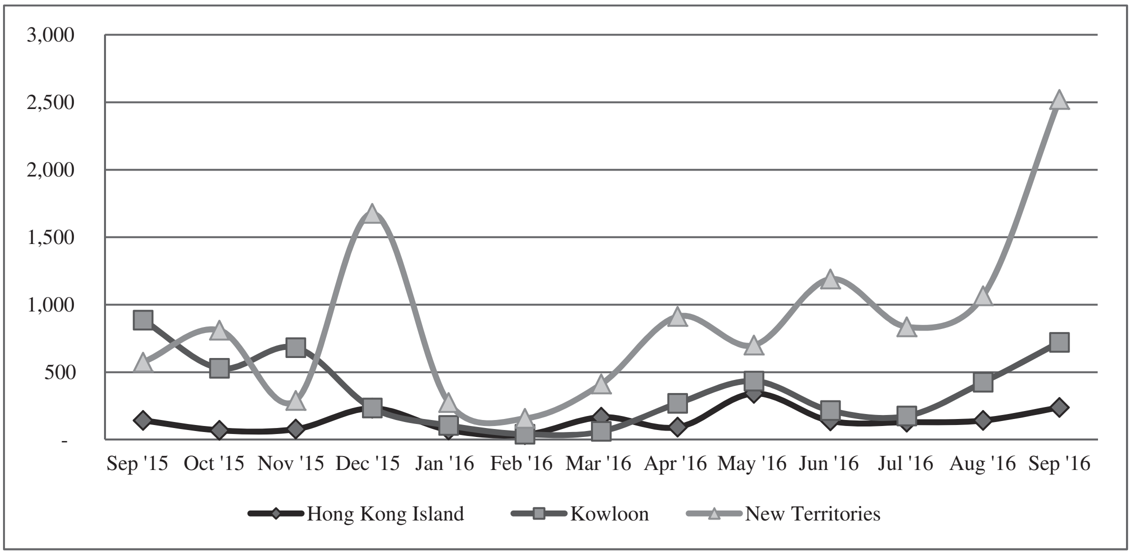
Table 9 — 1 Transaction Summary of Hong Kong Residential Property Market by District from August to September 2016

	08/16			09/16			Rise/Drop		
District	Transaction Volume Under Registry	Average Transaction Price	Average Transaction Price (Property Under Construction)	Transaction Volume Under Registry	Average Transaction Price	Average Transaction Price (Property Under Construction)	Transaction Volume Under Registry	Average Transaction Price	Average Transaction Price (Property Under Construction)
Central & Western	246	$17,067	$12,591	266	$18,189	$13,456	↑ 8.1%	↑ 6.6%	↑ 6.9%
Eastern	426	$13,343	$10,967	405	$13,938	$11,464	↓ 4.9%	↑ 4.5%	↑ 4.5%
Aberdeen	140	$12,730	$10,332	143	$13,063	$10,587	↑ 2.1%	↑ 2.6%	↑ 2.5%
Wan Chai	119	$19,370	$15,301	151	$19,811	$15,604	↑ 26.9%	↑ 2.3%	↑ 2.0%
Kowloon City	250	$13,206	$10,562	321	$13,695	$10,893	↑ 28.4%	↑ 3.7%	↑ 3.1%
West Kowloon	324	$15,294	$11,408	339	$15,986	$11,872	↑ 4.6%	↑ 4.5%	↑ 4.1%
Sham Shui Po	204	$11,755	$8,737	226	$12,105	$9,012	↑ 10.8%	↑ 3.0%	↑ 3.1%
Wong Tai Sin	154	$10,899	$8,438	149	$11,352	$8,776	↓ 3.2%	↑ 4.2%	↑ 4.0%
Kwun Tong	213	$11,161	$8,840	186	$11,511	$9,199	↓ 12.7%	↑ 3.1%	↑ 4.1%
Tai Po	181	$10,320	$7,902	184	$10,828	$8,331	↑ 1.7%	↑ 4.9%	↑ 5.4%
Yuen Long	355	$7,901	$6,056	404	$8,107	$6,236	↑ 13.8%	↑ 2.6%	↑ 3.0%
Tuen Mun	367	$8,561	$6,494	317	$8,879	$6,740	↓ 13.6%	↑ 3.7%	↑ 3.8%
North	148	$9,784	$7,234	151	$9,907	$7,324	↑ 2.0%	↑ 1.3%	↑ 1.2%
Tseung Kwan O	306	$11,728	$8,678	303	$12,125	$8,977	↓ 1.0%	↑ 3.4%	↑ 3.4%
Sha Tin	436	$11,802	$8,942	411	$12,259	$9,322	↓ 5.7%	↑ 3.9%	↑ 4.2%
Tsuen Wan	297	$9,679	$7,627	340	$9,950	$7,816	↑ 14.5%	↑ 2.8%	↑ 2.5%
Kwai Tsing	176	$11,028	$8,437	153	$11,336	$8,630	↓ 13.1%	↑ 2.8%	↑ 2.3%
Island	115	$8,845	$6,532	109	$9,182	$6,805	↓ 5.2%	↑ 3.8%	↑ 4.2%

Source: Hong Kong Land Registry & Midland Realty Property Data and Research Centre

The Hong Kong government maintained its controls on the property market and upheld cooling measures which has effectively suppressed demand by increasing transaction costs. However, in the residential market, developers started to offer discounts to their new projects. This has attracted strong market attention and sales are well responded. Per a statistics released by Midland Realty Property in October 2016, the transaction volume of New Territories, Kowloon and Hong Kong Island has reached 2,521, 721, 238 parcels respectively.

Figure 9 — 2 Transaction Volume of Hong Kong Primary Residential Property Market by Area from Sep 2015 to Sep 2016



Source: Hong Kong Land Registry & Midland Realty Property Data and Research Centre

The Hong Kong government remained vigilant and took measures to resist rising house prices and mortgage balances. A seventh round of prudential measures on mortgage lending was introduced by the Hong Kong Monetary Authority in 2009, further lowering the loan-to-value limit offered by Authorized Institutions. Household indebtedness reached an historic high, largely attributed to lower interest rates and strong demand for small-sized apartments in both primary and secondary markets.

In views of short term prospect, the demand on residential housing will remain firm. House prices are projected to rise in the mid-single digit range for mass market housing, according to Colliers International. However, the outlook remains cloudy since the timing of interest rate hikes in the U.S. is uncertain. Interest rate hike will have a direct impact on the property market.

X. COMPANY OVERVIEW

10.1. Yuexiu Property Company Limited

The Company was listed on the Stock Exchange of Hong Kong Limited on December 15, 1992 as the 9th red chip company listed in Hong Kong under the stock code 123. It is principally engaged in development, selling and management of properties, holding of investment properties. The Company has established business presence in 12 cities, namely, Guangzhou, Hong Kong, Foshan, Zhongshan, Jiangmen, Yantai, Wuhan, Shenyang, Hangzhou, Haikou, Kunshan and Qingdao. As at the Valuation Date, the Company held 100% equity interest of the Target Group.

10.2. Talent Sky Enterprises Limited

TSEL is a limited company incorporated under the International Business Companies Act of the British Virgin Islands. It acts as an investment holding company. Its subsidiary owns the South China Hotel as at the Valuation Date.

10.3. **Techcon Investment Limited**

TIL is a limited company incorporated in Hong Kong. It is a private company owned by TSEL and is principally engaged in hotel investment and operations. It owned the land use right and the South China Hotel, which were located at 67-75 Java Road, North Point, Hong Kong. In view of the current residential property market in Hong Kong, the management of the Target Group considered that redevelopment of the South China Hotel to a residential property development project may generated a greater return than continuing the hotel operation. An alternative development option was formulated, in which the South China Hotel would be demolished and redeveloped the building into residential property, but not executed as at the Valuation Date.

XI. VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of the three approaches, namely the market approach, the income approach and the asset approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

According to the management of the Target Group, two development options were formulated:

- Continue the current hotel operation; and

- Demolish and redevelop the South China Hotel into residential properties for sale (the "Redevelopment Option").

In assessing the fair value of the Equity Interest, the above two options were considered. Development option with the highest and the best use of the land use right was assumed to be executed and applied as the basis of this valuation, in which the South China Hotel would be demolished and redeveloped the building into residential property. All the three approaches were considered in this valuation based on the aforesaid assumption.

11.1. **Market Approach**

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

We considered but rejected the market approach for this valuation due to the following reasons:

- In view of the hotel operation of the South China Hotel, the Target Group was in a net loss position for the 8 months ended 31 August 2016 according to the latest management accounts. Market research has been performed, in which the comparable companies in the same industry as the Target Group were profit making. The market approach was not applicable as there were no comparable companies with similar financial position;

- Considering the Redevelopment Option of the Target Group (i.e. demolished and redeveloped the South China Hotel into residential property), was assumed to be launched, market research has been performed which no similar transaction or comparable companies could be found as reference for the application of the market approach;

- Available public information in relation to transaction frequently involves specific parties who pay a premium/discount under its unique circumstances. It was difficult to make adjustment to reflect the unique circumstances of the Target Group.

11.2. **Income Approach**

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We considered but rejected the income approach to arrive at the fair value of the Equity Interest due to the Redevelopment Option was assumed to be launched, but not executed as at the Valuation Date. Under this circumstance, the projection of the timing of cash flow was subject to uncertainties which affected profitability. However, a cash flow forecast could be developed with best estimate. The generation of economic benefit streams in future could be estimated based on the Redevelopment Option. This provides a reasonable basis to apply the income approach for cross-checking purpose in this valuation.

11.3. **Asset Approach**

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We considered and accepted the asset approach to estimate the fair value of the Equity Interest. In accordance with the International Valuation Standards (2013 Edition), the asset approach can be applied in the case of early stage or start-up businesses where profits and/or cash flow cannot be reliably determined and adequate market information is available on the entity's assets. In this valuation, the core asset of the Target Group was mainly the land use right. It was assumed that the Redevelopment Option would be launched, but was not commenced as at the Valuation Date. This fulfils the requirements of the International Valuation Standards (2013 Edition) to apply the asset approach. Furthermore, without forecasting the long term operational result, the sum of the fair value of the assets net of liabilities adjusted for the lack of marketability was a fair representative presentation of the fair value of the Equity Interest. In this valuation, the market value of the property was based on the endorsed opinion of a qualified surveyor of our firm. For details, please refer to the property valuation report in Appendix IIB of this circular.

XII. GENERAL ASSUMPTIONS OF VALUATION

A number of general valuation assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation included:

1. There would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the Target Group is operated;

2. There would be no significant deviation in the industry trends and market conditions from the current market expectation;

3. There would be no major changes in the current taxation law in Hong Kong and countries of origin of our comparable companies;

4. There would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;

5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and

6. The Target Group would retain competent management, key personnel, and technical staff to support the ongoing operation of its business.

XIII. ASSET APPROACH

The asset approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current fair market value of the business or its assets.

Details of the statement of financial position of the Target Group as at the Valuation Date were as follows:

Table 13 — 1 Summary of Assets and Liabilities of the Target Group as at the Valuation Date

As at 31 August 2016	Note	Book Value HKD	Fair value Adjustment HKD	Fair Value HKD
Non-current Assets				
Fixed assets, excluding building	1	9,318,763		9,318,763
Land and Building	2	332,469,700	277,530,300	610,000,000
		341,788,463		**619,318,763**
Current Assets				
Inventories	3	116,039		116,039
Prepayment and deposits	3	1,919,778		1,919,778
Current accounts with intra-group companies	3	289,097		289,097
Bank and cash balances	3	35,571,102		35,571,102
Total current assets		**37,896,017**		**37,896,017**
Current Liabilities				
Current account with the holding company	3	(334,963,878)		(334,963,878)
Accruals	3	(6,746,804)		(6,746,804)
Total current liabilities		**(341,710,682)**		**(341,710,682)**
Net Asset Value of 100% Equity Interest				**315,504,097**
Discount for Lack of Marketability Adjustment	4		2%	**(6,310,082)**
Fair Value of 100% Equity Interest				**309,194,015**
Fair Value of 100% Equity Interest (rounded)				**309,194,000**

* *Sum of individual figures may not equal the total amount due to rounding*

Note 1: Property, plant and equipment represented machinery, motor vehicles and furniture, fixtures and equipment. These assets were separable to the hotel operation. In assessing the fair value of the land and building, these assets were not considered. Under the Redevelopment Option, these assets were assumed to be sold. According to the management of the Company, the amounts of these assets were considered as insignificant and were assumed that the depreciated cost could reflect the fair value of the assets.

Note 2: Land and building represented the value of residential property to be constructed under the Redevelopment Option. For details about the valuation of land and building, please refer to the property valuation report in Appendix IIB of this circular.

Note 3: These assets and liabilities were short term in nature. Thus, we assumed the book value can reflect the fair value of the assets and liabilities.

Note 4: For details, please refer to the section for Discount for Lack of Marketability.

XIV. INCOME APPROACH FOR CROSS-CHECKING

14.1 Major Assumptions

Equity value is an economic measure reflecting the value to the equity holder. We develop the equity value by using a DCF method, which requires a number of assumptions, including revenue, development cost and expenses forecasts.

The essential elements of DCF are: (1) the expected earnings stream to be discounted, and (2) the discount rate.

The net cash flows from the Target Group were estimated, and we discounted the sum to a present value at the appropriate discount rate, as illustrated below:

$$PV = \frac{E_1}{(1 + k)} + \frac{E_2}{(1 + k)^2} + \frac{E_3}{(1 + k)^3} + \dots + \frac{E_n}{(1 + k)^n}$$

E_1, E_2, E_3, etc.= Expected economic income in the 1st, 2nd, 3rd periods, and etc.
E_n = Expected economic income in the last period
k = Discount Rate

The financial projection is prepared by the management of the Company. We have reviewed the calculation and discussed with the management of the Company about the validity of the projection. Our valuation is developed based on this financial projection and the assumption that properties sale and construction cost in the projection period will conform to those forecasted by the management of the Company.

Brief description of major assumptions has been shown as below:

14.1.1 Basis of Cash Inflow from Revenue

Revenue forecast of the Target Group is projected by the management of the Company. The Redevelopment Option was planned to begin in 2017, the revenue in 2016 represented the hotel operation income for that period and was projected with reference to historical track records.

For the Redevelopment Option, it was assumed that the demolition of hotel would be finished by the first half of 2017 and the redevelopment was expected to be completed by June 2019. The expected total saleable area was 4,130m^2. The property pre-sale was planned to be launched in July of 2018.

The average unit selling price per square meter was assumed to be HK$259,298 with reference to the current property market trend in Hong Kong. It is expected that 50% of units would be launched and sold out in the pre-sale phase. The remaining 50% will be sold in the following year (i.e. 2019). The revenue is recognised when the property is sold constrained by percentage of completion of the Redevelopment Option.

Table 14 — 1 Revenue Forecast for the Target Group (in HKD'000)

Year	2016 (4 months)	1H2017 (6 months)	2H2017 (6 months)	1H2018 (6 months)	2H2018 (6 months)	1H2019 (6 months)
Hotel operation						
Rental income	15,010	—	—	—	—	—
Rental from restaurant	30	—	—	—	—	—
Other revenue	824	—	—	—	—	—
Property sale						
Sales	—	—	—	—	535,450	535,450

Cash inflow from property sale is projected as follows:

Table 14 — 2 Projected Cash Inflow from Property Sale (in HKD'000)

Year	2016 (4 months)	1H2017 (6 months)	2H2017 (6 months)	1H2018 (6 months)	2H2018 (6 months)	1H2019 (6 months)
Property Sale	—	—	—	—	535,450	535,450

14.1.2 Basis of Cash Outflow on Cost of Revenue

The cost of revenue represents the direct costs of hotel operation and the development costs of the residential properties under the Redevelopment Option. Direct costs of hotel operation mainly represent salary and administrative expenses for hotel operation, while development costs mainly represent the demolition and redevelopment cost for property development. Cash outflow on cost of revenue is projected as follows:

Table 14 — 3 Projected Cash Outflow on Cost of Revenue

	HKD'000
Demolition Cost	6,283
Construction Costs	136,346
Total Development Costs	142,629

* *Sum of individual figures may not equal the total amount due to rounding*

Year **(HKD'000)**	**2016** **(4 months)**	**1H2017** **(6 months)**	**2H2017** **(6 months)**	**1H2018** **(6 months)**	**2H2018** **(6 months)**	**1H2019** **(6 months)**
Hotel Operation Cots	9,482	—	—	—	—	—
Development Costs	—	6,283	33,335	33,831	34,335	34,846
Total Costs of Revenue	**9,482**	**6,283**	**33,335**	**33,831**	**34,335**	**34,846**

14.1.3 Operating Expenses

Operating expenses mainly represent administrative expenses for hotel operation, professional fee, marketing costs and one-off fixed assets written off expenses at the beginning of the construction when the Redevelopment Option launched. It is assumed that marketing costs will be amounted to 3.5% of revenue and professional fee will be amounted to 6% of the development cost.

Table 14 — 4 Operating Expenses Forecast

(HKD'000)	**2016**	**1H2017**	**2H2017**	**1H2018**	**2H2018**	**1H2019**
Administrative Expenses	248	—	—	—	—	—
Professional Fee	—	1,583	1,607	1,631	1,655	1,680
Market Costs	—	—	—	—	20,079	20,378
Fixed Assets Written Off	—	62,248	—	—	—	—

14.2 Determination of Discount Rate

We developed the cost of equity ("R_e") and the cost of debt ("R_d") for this valuation based on the data and factors relevant to the economy, the industry and the Target Group as at the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital ("WACC").

14.2.1 Development of Weighted Average Cost of Capital

We considered market and industry data to develop the WACC for this valuation.

The traditional formula for calculating the WACC is:

$$\mathbf{WACC = [(\%D) \times (R_d) \times (1 - Tax\ Rate)] + [(\%E) \times (R_e)]}$$

Where	WACC:	Weighted Average Cost of Capital;
	%D:	Weight of Interest Bearing Debt;
	R_d:	Cost of Debt;
	%E:	Weight of Equity; and
	R_e:	Cost of Equity

14.2.2 **Development of Cost of Equity**

We considered the Modified Capital Asset Pricing Model ("MCAPM") to calculate the R_e for this valuation.

Modified Capital Asset Pricing Model

MCAPM, as applied to this valuation, can be summarized as follows:

$$\mathbf{R_e = R_f + Beta \times ERP + RP_s + RP_u}$$

Where	R_e:	Cost of Equity;
	R_f:	Risk Free Rate;
	Beta:	A measure of systematic risk;
	ERP:	Equity Risk Premium;
	RP_s:	Size Premium; and
	RP_u:	Specific Company Adjustment

1. **Risk Free Rate**

R_f was found by looking at the yields of the Hong Kong government bond. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted. We relied on the yield of the 3-Year Hong Kong government bond as at the Valuation Date.

2. **Beta**

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas from Guideline Public Companies. The identified betas were unlevered to remove the effects of financial leverage with the consideration of the effective tax rate and the debt-to-equity ratio of the Guideline Public Companies on the indication of relative risk provided by the beta, and re-levered at the capital structure of the Target Group.

The formula to calculate the unlevered beta, can be illustrated as below:

$$Bu = \frac{BL}{(1 + (1 - Te) \times (D/E))}$$

Where	Bu:	Un-levered Beta;
	BL:	Levered Beta;
	Te:	Effective Tax Rate of the Guideline Public Companies ; and
	D/E:	Debt-to-equity Ratio of the Guideline Public Companies

The formula to calculate the re-levered beta, can be illustrated as below:

$$Br = Bu \text{ x } (1 + (1 - Tc) \text{ x } (D/E))$$

Where	Br:	Re-levered Beta;
	Bu:	Un-levered Beta;
	Tc:	Corporate Tax Rate of the Target Group; and
	D/E:	Debt-to-equity Ratio of the Public Guideline Companies

3. **Selection of Guideline Public Companies**

As aforementioned, the Guideline Public Companies are selected to compute beta in our determination of R_e. One would start with a description of the subject company, in terms of lines of business, markets served, size and other criteria.

For this valuation, we have searched information from Bloomberg and reviewed the business description on the website of the Guideline Public Companies to ensure the companies adopted are fair and representative. We have selected the companies which are engaged in property development in Hong Kong, the shares are listed on the Hong Kong Stock Exchange and the revenue are mainly generated from Hong Kong which is comparable to the Target Group. The following is the list of Guideline Public Companies that we have reviewed and selected in connection with this valuation:

Table 14 - 5 Guideline Public Companies

	Guideline Public Companies	Ticker	Business Activities
1.	Henderson Land Development Co Ltd	12 HK	• Develops, manages and invests in properties. • Operates hotels.
2.	Wheelock & Co Ltd	20 HK	• Develops, manages and invests in properties.
3.	Kowloon Development Co Ltd	34 HK	• Develops and invests in properties. • Operates hotels.
4.	Hong Kong Ferry Holdings Co Ltd	50 HK	• Develops and invests in properties. • Operates hotels.
5.	Harbour Centre Development Ltd	51 HK	• Operates hotels. • Invests in real estate.
6.	Winfoong International Ltd	63 HK	• Invests in, manages and develops real estate properties.
7.	Emperor International Holdings Ltd	163 HK	• Develops and manages property development projects.
8.	Chuang's Consortium International Ltd	367 HK	• Develops and invests in properties.
9.	Wing Tai Properties Ltd	369 HK	• Invests in and manages real estate.
10.	HKR International Ltd	480 HK	• Develops and invests in properties.

Source: Bloomberg

Table 14 — 6 Summary of Beta

	Un-Levered Beta	Re-levered Beta
Henderson Land Development Co Ltd	0.77	1.34
Wheelock & Co Ltd	0.52	0.90
Kowloon Development Co Ltd	0.26	0.45
Hong Kong Ferry Holdings Co Ltd	0.57	0.98
Harbour Centre Development Ltd	0.34	0.60
Winfoong International Ltd	1.06	1.83
Emperor International Holdings Ltd	0.19	0.33
Chuang's Consortium International Ltd	0.31	0.53
Wing Tai Properties Ltd	0.41	0.71
HKR International Ltd	0.35	0.60

Median Un-Levered Beta	Median Re-levered Beta
0.38	0.65

Source: Bloomberg

4. **Equity Risk Premium ("ERP")**

We adopted the recent 30 years of equity risk premium of the market where the subject company is located. The long term equity risk premium of the United States market is multiplied by the relative volatility between S&P 500 and equity indices of respective country where the subject company is located to obtain the equity risk premium of the respective country. The volatility of the United States equity market and other equity indices are developed based on the daily closing price of the indices which obtained from Bloomberg database. This is one of the common market practices in estimating the equity risk premium of different countries. The formula to calculate the ERP, can be illustrated as below:

U.S. ERP x Volatility of respective equity indices / Volatility of S&P 500

We also made reference to the ERP published by Prof. Aswath Damodaran of New York University. We took average of the aforesaid two ERPs and adopted in this valuation.

5. **Specific Company Adjustment ("RP_u")**

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to the Target Group.

Firm specific risk factors may include the following:

1. Abnormal competition
2. Customer concentration
3. Size smaller than the Guideline Public Companies
4. Poor access to capital
5. Thin management
6. Lack of business diversification
7. Potential environment issue
8. Potential litigation
9. Narrow distribution channels
10. Obsolete technology
11. Dim company outlook

The magnitude of the RP_u depends on the corresponding risk level of the valuation subject and whether the underlying risk has been fairly captured by the other factors. In this valuation, the Redevelopment Option was assumed to be launched which was not commenced. The construction plan, the projected unit selling price and the sale plan are subject to high uncertainty which will affect the reliability of the projected cash flow of the Target Group. Overall speaking we consider an additional 5% RP_u, on the unadjusted value can reasonably reflect such risks.

Table 14 — 7 Cost of Equity Conclusion

MCAPM	
R_f	0.56%
Beta	0.65%
ERP	7.07%
RP_s	5.60%
RP_u	5.00%
R_e	**15.78%**

14.2.3 **Development of Cost of Debt**

In order to estimate the R_d for this valuation, we relied on Hong Kong Prime rate, which is 5% as at the Valuation Date.

14.2.4 Weighted Average Cost of Capital

We have "levered" the Target Group as if it mirrored the median percentage of debt as the comparable companies on the assumption that over time, the Target Group would need to approach the median amount of debt of the Guideline Public Companies. Subsequent to the calculations of the R_e and the R_d, the calculation of the WACC, or the discount rate, therefore becomes:

Table 14 — 8 Weighted Average Cost of Capital

WACC	
Weight of Interest Bearing Debt	46.6%
x Cost of Debt	5.00%
x (1 − Tax Rate)	83.50%
Weighted Cost of Debt	**1.95%**
+	
Weight of Equity	53.40%
x Cost of Equity	15.78%
Weighted Cost of Equity	**8.43%**
Weighted Average Cost of Capital (Applied Discount Rate)	**10.37%**

XV. DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")

DLOM is one of the valuation adjustments with significant monetary impact on the final determination of fair value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the fair value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by the management in order to sell a controlling interest. This typically would take at least three to nine months if a transaction could be consummated at all. Furthermore, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees. In this valuation, the business structure and the assets and liabilities involved are simple. In this valuation, the Redevelopment Option was assumed to be launched under the basis of the highest and the best use of the land use right. To demolish the South China Hotel and to redevelop the building into residential property, this involved application on the change of land usage. This may take several months, but the application is considered as simply with limited application fee. In view of the above, 2% DLOM was considered to be sufficient in covering the expenses incurred to sell the Target Group, i.e. transaction cost, commission, administration expenses, legal fee etc., and was applied for the purpose of this valuation.

XVI. SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods and the respective valuation bases that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of the Target Group are discussed.

Market Approach
Guideline Public Company Method.......N/A
Application.......Rejected
Income Approach
Discounted Cash Flow Method.......HKD386,402,000
Application.......Rejected
Asset Approach
Adjusted Net Assets Method.......HKD309,194,000
Application.......Accepted

The asset approach is preferable in this valuation. We considered that it is reasonable to apply the asset approach to conclude the fair value of the Equity Interest as the Redevelopment Option is assumed to but launched, but not commenced as at the Valuation Date. Under such assumption, the Target Group would consider as an early stage business with no historical operating information is available as reference to the cash flow forecast. The cash flow forecast involved various assumptions such as the construction plan, unit selling price and sale plan which are uncertain and affect the reliability of the cash flow forecast. On the other hand, the core asset of the Target Group was the land use right only. Without forecasting the long term operational result, the sum of the fair value of the assets net of liabilities adjusted for the lack of marketability was a fair representative presentation of the fair value of the Equity Interest.

The income approach would be an alternative assessment on the value of the Equity Interest based on the redevelopment option of the Target Group. This could provide further reference on the value based on the Target Group's financial projection and the Redevelopment Option, but constitute no impact on our valuation conclusion. We concluded the fair value of the Equity Interest based on the asset approach.

XVII. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Group. Furthermore, we have not assessed any potential tax implication incidental to the transaction, in which the Company should seek advice from the tax adviser.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation were provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review were reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflected facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XVIII. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it was our opinion that the fair value of the 100% equity interest in Talent Sky Enterprises Limited as at 31 August 2016 was as follows:

	Fair Value as at 31 August 2016
100% equity interest in Talent Sky Enterprises Limited (rounded)	**HKD309,194,000**

The opinion of value was based on generally accepted valuation procedures and practices that relied extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which could be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Max K.P. Tsang,
CPA, CFA, FRM
Director

Analysed and Reported by:

Marvin K.C. Wong, *CPA*
Manager, Business Valuation & Transaction Advisory

Faye C.Y. Chan, *CPA (Aust.)*
Assistant Manager, Business Valuation & Transaction Advisory

INVOLVED STAFF BIOGRAPHY

Max K.P. Tsang, *CPA, CFA, FRM*

Director

Mr. Tsang is presently the Director of Greater China Appraisal Limited. Mr. Tsang is experienced in business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support purposes. The valuation services provided included business valuation, intangible asset valuation (such as trademarks, distribution networks, patents and customer relationship), biological assets valuation, mining valuation and financial instrument valuation. Mr. Tsang has extensive experience in serving private and listed enterprises in Hong Kong, China, Singapore and the United States. His experience covers a wide range of industries including agriculture, financial services, infrastructure, telecommunications, information technology, retail, real estate, mining and multimedia.

Marvin K.C. Wong, *CPA*

Manager, Business Valuation & Transaction Advisory

Mr. Wong is experienced in performing business valuation of business for private and public companies on industries including but not limited to tea plantation, forest, infrastructure, manufacturing, marketing, pharmacy and trading. He has experience in valuation of intangible Asset including customer relationships, trademarks of an international toy company, concession right, mining right, patents and distribution network of a pharmaceutical company, etc.

Faye C.Y. Chan, *CPA (Aust.)*

Assistant Manager, Business Valuation & Transaction Advisory

Ms. Chan's experiences in valuation of business cover different industries including foresting, manufacturing, medical, food & beverage, financial services, infrastructure and trading and information technology. She has experience in valuation of intangible asset including trademarks, patents and concession rights etc.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

The following is the text of a letter, a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 August 2016 of the Hotel.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

23 November 2016

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

Dear Sir,

Re: **Valuation of a hotel building (known as The South China Hotel) on Nos. 67-75 Java Road, North Point, Hong Kong (the "Target Property")**

In accordance with the instructions from Yuexiu Property Company Limited (the "Company") for us to value the Target Property, details of which are provided in the enclosed valuation certificate, in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interest as at 31 August 2016 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real property and the limiting conditions.

I. BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean "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".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

The real property interest is valued by comparison method where comparison based on prices realized or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the real property interest. Adjustments in the prices of the comparable properties are then made to account for the identified differences between such properties and the real property interest in the relevant factors. For the valuation of the Target Property, we have assumed that it will be developed and completed in accordance with the latest development proposal.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interests.

As the real property is held under long term government leases, we have assumed that the owner of the real property interest has free and uninterrupted rights to use, transfer or lease the real property interest for the whole of the unexpired term of the respective government leases. In our valuation, we have assumed that the real property interest can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the Target Property, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHIP INVESTIGATION

We have caused searches made at the Land Registry for the real property situated in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property set out in this report.

V. LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Target Property. However, no structural survey has been made and we are therefore unable to report as to whether the Target Property are free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the real property but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any real property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by the Company on such matters as, as relevant, planning approvals, statutory notices, easements, tenure, occupation, rentals, development scheme, construction costs, site and floor areas and in the identification of the real property. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the real property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VI. OPINION OF VALUE

Our opinion of the market value of the real property interest is set out in the attached valuation certificate.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interest, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the real property was conducted in October 2016 by Phoebe W. Y. Fung (BSc). The real property was maintained in a reasonable condition commensurate with its age and uses and equipped with normal building services.

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Hong Kong Dollars (referred to as "HK$").

We enclose herewith our valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FRICS, MHKIS, MCIREA
Director

Note: *Mr. Gary Man is a Chartered Surveyor who has more than 28 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.*

VALUATION CERTIFICATE

Real property interest held and operated as a hotel in Hong Kong

Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value as at 31 August 2016
The South China Hotel, Nos. 67-75 Java Road, North Point, Hong Kong Inland Lot Nos. 6845, 6846, 6847, 6848, 6849	The real property comprises a 21-storey (1 basement floor and Ground Floor to 19th Floor plus a cockloft floor) hotel built upon a rectangular shape corner site with an area of 532.609 square metres (5,733 square feet or thereabouts). It was completed in about 1991. The total gross floor area of the real property is 7,022.682 square metres (75,592 square feet or thereabouts). 3rd to 19th Floor of the real property accommodate 198 guest rooms, 1 deluxe suite and 3 handicapped rooms. Restaurants are available on the First Floor and the Second Floor. Carparking spaces and loading/unloading bay are also available on the Ground Floor. Administration and Management Office Spaces are provided on the Basement and the Cockloft. The real property is held under various Government Leases for a term of 75 years commencing on 5 September 1921 and renewable for a further term of 75 years. The total annual Government Rent payable for the subject lots is HK$230,402.	As at the valuation date, the real property was held and operated by the owner as a hotel. A restaurant premise on the First Floor, kitchen and storeroom on the Basement are subject to a tenancy for a term of 2 years expiring on 31 August 2017 at a monthly rent of HK$158,000 inclusive of air-conditioning charges, management fee and rates. Another restaurant premise on the Second Floor is subject to a tenancy for a term of 2 years expiring on 30 April 2018 at a monthly rent of HK$69,000 inclusive of air-conditioning charges and management as at the valuation date.	HK$610,000,000 (Hong Kong Dollar Six Hundred and Ten Million)

Notes:

(i) The registered owner of the real property is Techcon Investment Limited vide Memorial No. UB7086845 on 30 April 1997.

(ii) As revealed from the Town Planning Application Case No. A/H8/238 (Amendments to an approved scheme for Hotel) for Inland Lot Nos. 6845, 6846, 6847, 6848 and 6849, the Metro Planning Committee approved the aforesaid planning permission with condition(s) on 9 February 1996.

(iii) Occupation Permit No. H121/91 of the real property was issued by the Building Authority and dated 14 November 1991.

(iv) The real property is subject to the Licence in favour of Utility Shing Limited by assistant registrar general for and on behalf of the Governor of Hong Kong vide Memorial Nos. UB5466600, UB5466601, UB5466602, UB5466603 and UB5466604 dated 10 July 1989 and 10 July 1992 respectively.

(v) The real property falls within an area zoned "Residential (Group A)" (R(A)) under North Point Outline Zoning Plan No. S/H8/25 dated 5 August 2016.

(vi) In our course of valuation, we have considered the redevelopment potential of the real property.

(vii) The valuation at HK$610,000,000 represents the market value of the Target Property, which has not taken into account the loan owing from Talent Sky Enterprises Limited to Top Million Group Ltd..

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

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
Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.039%
Lee Ka Lun	Beneficial owner	3,200,000	0.026%
Li Feng	Beneficial owner	172,900	0.001%
Lin Zhaoyuan	Beneficial owner	373,464	0.003%

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
GZYX *(Note)*	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, GZYX 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. ("**Excellence**")	5,749,874,187
Bosworth International Limited ("**Bosworth**") (Note i)	4,202,934,153
Sun Peak Enterprises Ltd. ("**Sun Peak**")	978,065,907
Novena Pacific Limited ("**Novena**") (Note ii)	978,065,907
Shine Wah Worldwide Limited ("**Shine Wah**")	273,266,721
Morrison Pacific Limited ("**Morrison**") (Note iii)	273,266,721
Perfect Goal Development Co., Ltd. ("**Perfect Goal**")	234,689,273
Greenwood Pacific Limited ("**Greenwood**") (Note iv)	234,689,273
Seaport Development Limited ("**Seaport**")	60,918,133
Goldstock International Limited ("**Goldstock**") (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 GZYX, Yue Xiu Enterprises (Holdings) Limited, Bosworth and Novena; (ii) Mr Zhu Chunxiu is a director of GZYX, Yue Xiu Enterprises (Holdings) Limited, Excellence and Bosworth; (iii) Mr Lin Zhaoyuan is a director of Bosworth; (iv) Mr Li Feng is a director of Excellence and Bosworth; and (v) Mr Ou Junming 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 2015, 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

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group have been made up.

8. EXPERT'S QUALIFICATIONS AND CONSENT

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

Name	Qualification
Greater China Appraisal Limited	Property valuer and business 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 Greater China Appraisal 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 2015, being the date to which the latest published audited financial statements of the Group were made up.

Each of Greater China Appraisal 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 GM:

a) the articles of association of the Company;

b) the letter from the Board, the text of which is set out on pages 7 to 19 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 20 of this Circular;

d) the letter of advice from Yu Ming to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 41 of this Circular;

e) the written consent referred to in the paragraph headed "Expert's Qualifications and Consent" in this appendix;

f) the Nansha Equity Transfer Agreement;

g) the Talent Sky Disposal Agreement;

h) the valuation report dated 23 November 2016 in respect of the valuation of Nansha Acquisition Company as set out in Appendix IA of this Circular;

i) the valuation report dated 23 November 2016 in respect of the valuation of the Nansha Project as set out in Appendix IB of this Circular;

j) the valuation report dated 23 November 2016 in respect of the valuation of Talent Sky Disposal Company as set out in Appendix IIA of this Circular;

k) the property valuation report dated 23 November 2016 in respect of the valuation of the Hote as set out in Appendix IIB of this Circular; and

l) this Circular.

10. MISCELLANEOUS

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

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 the Company (the "**Company**") will be held at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 9 December 2016 at 10:30 a.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 shareholder circular dated 23 November 2016 (the "**Circular**").

ORDINARY RESOLUTIONS

1. "**THAT**, subject to and conditional upon the passing of ordinary resolution numbered 2:

   (a) the Nansha Acquisition (including the entering into of the Nansha Equity Transfer Agreement by the Nansha Acquisition Seller and the Nansha Acquisition Purchaser) and the consummation of transactions contemplated thereunder as more particularly described in the Circular and on the terms and conditions set out in the Nansha Equity Transfer Agreement be hereby approved, ratified and confirmed; and

   (b) authorization be granted to 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 Nansha Equity Transfer Agreement, the Nansha Loan Assignment Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith."

2. "**THAT**, subject to and conditional upon the passing of ordinary resolution numbered 1,

   (a) the Talent Sky Disposal (including the entering into of the Talent Sky SPA and the deed of assignment in relation to the Assignment of Talent Sky Loan (the "**Talent Sky Deed of Assignment**") by the Talent Sky Disposal Seller and the Talent Sky Disposal Purchaser) and the consummation of transactions contemplated thereunder as more particularly described in the Circular and on the terms and conditions set out in the Talent Sky SPA be hereby approved, ratified and confirmed; and

(b) authorization be granted to 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 Talent Sky SPA, the Talent Sky Deed of Assignment and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith."

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

Hong Kong, 23 November 2016

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 8 December 2016 to 9 December 2016, 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 9 December 2016, 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 7 December 2016.