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.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF A 51% INTEREST IN TWO NEW METRO PROPERTY PROJECTS; (2) PROPOSED RE-ELECTION OF DIRECTOR; (3) NOTICE OF GENERAL MEETING; AND (4) CLOSURE OF REGISTER OF MEMBERS

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

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 I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 22 October 2019 at 3:00 p.m. as 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 54, 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.

27 September 2019

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EXPECTED TIMETABLE FOR THE ACQUISITIONS AND THE GM

Despatch of GM circular and the GM Notice	Monday, 27 September 2019
Latest time for lodging transfer documents for entitlements to the right to attend and vote at the GM	4:30 p.m., Thursday, 17 October 2019
Latest time for lodging proxy forms for the GM	3:00 p.m., Sunday, 20 October 2019
GM	3:00 p.m., Tuesday, 22 October 2019
Announcement of voting results of the GM	Tuesday, 22 October 2019

Notes:

(1) Shareholders should note that the dates or deadlines specified in the expected timetable for the Acquisitions and the GM as set out above, and in other parts of this circular, are indicative only. In the event any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers it appropriate to do so. The Company will make an announcement to notify Shareholders and the Stock Exchange of any such extension or adjustment to the expected timetable.

(2) All times and dates in this circular refer to Hong Kong local times and dates.

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

"**51% Equity and Loan Interests**"	collectively, 51% equity interest in the Luogang Target Company, 51% equity interest in the Chen Tougang Target Company and the Loan Rights
"**Acquisitions**"	acquisition of the 51% Equity and Loan Interests as described in the section headed "The Acquisitions – Subject matter and consideration of the Acquisitions"
"**Announcement**"	the announcement of the Company dated 10 September 2019 in relation to the Acquisitions
"**Appraised Value**"	the market value of the relevant New Metro Property Project or the relevant Target Holding Company (as the case may be) as at 30 June 2019 as determined based on the relevant valuation report prepared by the Independent Valuer
"**Appraised Value Approach**"	has the meaning given to it in the section headed "Basis of determination of consideration for the Luogang Acquisition and the Chen Tougang Acquisition"
"**associate(s)**"	has the meaning as ascribed to it under the Listing Rules
"**Board**"	the board of Directors
"**Chen Tougang Acquisition**"	means the acquisition of the entire equity interest in the Chen Tougang Target Holding Company and the Loan Rights with respect to the Chen Tougang Target Holding Company and the Chen Tougang Target Company
"**Chen Tougang Option Deed**"	the option deed entered into between GZYX and the Company dated 28 May 2019 in relation to the Chen Tougang Project
"**Chen Tougang Target Company**"	廣州市品薈房地產開發有限公司 (Guangzhou City Pinhui Property Development Company Limited*), a company incorporated in the PRC with limited liability, which is owned as to 51% and 49% by the Chen Tougang Target Holding Company and Guangzhou Metro respectively as at the Latest Practicable Date

"**Chen Tougang Target Group**"	collectively, the Chen Tougang Target Holding Company and the Chen Tougang Target Company
"**Chen Tougang Target Holding Company**"	廣州緯信實業發展有限公司 (Guangzhou Weixin Industrial Development Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of GZYX as at the Latest Practicable Date, which in turn owns 51% of equity interest in the Chen Tougang Target Company
"**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)
"**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
"**Easyway**"	東緯有限公司 (Easyway Incorporation Limited), a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of GZYX
"**Enlarged Group**"	the Group as enlarged by the Acquisitions
"**Equity Transfers**"	collectively, the Luogang Equity Transfer and the Chen Tougang Equity Transfer
"**GM**"	the general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Transaction Documents and the transaction contemplated thereunder (namely, the Acquisitions), and the re-election of Director
"**Group**"	the Company and its subsidiaries
"**Guangzhou Metro**"	廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.*), a directly wholly-owned subsidiary of Guangzhou Municipal People's Government of the PRC

"**GZ Metro Subscriber**"	Guangzhou Metro Investment Finance (HK) Limited (廣州地鐵投融資（香港）有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Guangzhou Metro
"**GZYX**"	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), 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 is the ultimate controlling shareholder of the Company
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Independent Board Committee**"	the independent board committee comprising all the independent non-executive Directors, namely Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose, established to advise the Independent Shareholders in respect of whether the Acquisitions are fair and reasonable and as to voting
"**Independent Financial Adviser**"	Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the Acquisitions are fair and reasonable and as to voting
"**Independent Third Party(ies)**"	third part(ies) who is/are not connected person(s) of the Company and is/are independent of the Company
"**Independent Shareholders**"	(a) for the purpose of the Luogang Acquisition, Shareholders other than (i) any Shareholder who has a material interest in the Luogang Acquisition other than its interest as a Shareholder; and (ii) any associate of such Shareholder referred to in (a)(i); and (b) for the purpose of the Chen Tougang Acquisition, Shareholders other than (i) any Shareholder who has a material interest in the Chen Tougang Acquisition other than its interest as a Shareholder; and (ii) any associate of such Shareholder referred to in (b)(i)

"**Independent Valuer**"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"**Latest Practicable Date**"	25 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"**Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange
"**Loan Rights**"	all of rights, title, interest and benefit of GZYX in and to the Loans
"**Loans**"	has the meaning given to it in the section headed "The Acquisitions – Subject matter and consideration of the Acquisitions"
"**Luogang Acquisition**"	means the acquisition of the entire equity interest in the Luogang Target Holding Company and the Loan Rights with respect to the Lougang Target Holding Company and the Lougang Target Company
"**Luogang Option Deed**"	the option deed entered into between GZYX and the Company dated 28 May 2019 in relation to the Luogang Project
"**Luogang Target Company**"	廣州市品悦房地產開發有限公司 (Guangzhou City Pinyue Property Development Company Limited*), a company incorporated in the PRC with limited liability, which is owned as to 51%, 40% and 9% by the Luogang Target Holding Company, Guangzhou Metro and Science City respectively as at the Latest Practicable Date
"**Luogang Target Group**"	collectively, the Lougang Target Holding Company and the Lougang Target Company
"**Luogang Target Holding Company**"	廣州東越實業發展有限公司 (Guangzhou Dongyue Industrial Development Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of GZYX as at the Latest Practicable Date, which in turn owns 51% of equity interest in the Luogang Target Company

"**Luogang Transaction Documents**"	collectively, the Luogang Equity Transfer Agreement and the Luogang Loan Assignment Agreements
"**m^2**"	square metres
"**New Metro Property Projects**"	collectively, the Luogang Project and Chen Tougang Project
"**Option Announcement**"	means the announcement made by the Company dated 28 May 2019 in relation to the YXP Options
"**PRC**"	the People's Republic of China and for the purpose of this circular excluding Hong Kong, Macau Special Administrative Region and Taiwan
"**Purchaser**"	廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co., Ltd.*), a company incorporated in the PRC with limited liability and which is indirectly owned as to approximately 95.48% by the Company
"**RMB**"	Renminbi, the lawful currency of the PRC
"**Science City**"	科學城廣州投資集團有限公司 (Science City (Guangzhou) Investment Group Limited*), a company incorporated in the PRC with limited liability
"**Share(s)**"	ordinary share(s) of the Company
"**Shareholder(s)**"	holder(s) of the Shares
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Target Companies**"	collectively, the Luogang Target Company and the Chen Tougang Target Company
"**Target Group**"	collectively, the Target Holding Companies and Target Companies

"**Target Holding Companies**"	collectively, Luogang Target Holding Company and the Chen Tougang Target Holding Company and each a "**Target Holding Company**"
"**Total Acquisition Amounts**"	the aggregate amount payable by the Purchaser for the Acquisitions, and "Total Acquisition Amount" shall mean the aggregate amount payable by the Purchaser for the Luogang Acquisition or the Chen Tougang Acquisition (as the context requires)
"**Total Contribution Approach**"	has the meaning given to it in the section headed "Basis of determination of consideration for the Luogang Acquisition and the Chen Tougang Acquisition"
"**Transaction Documents**"	collectively, the Luogang Equity Transfer Agreement, the Luogang Loan Assignment Agreements, the Chen Tougang Equity Transfer Agreement and the Chen Tougang Loan Assignment Agreements, and each a "**Transaction Document**"
"**YXE**"	Yue Xiu Enterprises (Holdings) Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of GZYX
"**YXP Option Deeds**"	the Luogang Option Deed and the Chen Tougang Option Deed
"**YXP Options**"	the right granted to the Company by GZYX pursuant to the YXP Option Deeds
"**%**"	per cent

* *For identification purposes 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
Mr. Lin Zhaoyuan *(Chairman)*
Mr. Lin Feng
Mr. Li Feng
Ms. Chen Jing
Ms. Liu Yan

Non-Executive Directors
Mr. Ouyang Changcheng

Independent Non-executive Directors
Mr. Yu Lup Fat Joseph
Mr. Lee Ka Lun
Mr. Lau Hon Chuen Ambrose

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

27 September 2019

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF A 51% INTEREST IN TWO NEW METRO PROPERTY PROJECTS; AND (2) PROPOSED RE-ELECTION OF DIRECTOR

INTRODUCTION

Reference is made to the Announcement. On 10 September 2019, the Group entered into the Acquisitions, upon and subject to the respective terms and conditions of the Transaction Documents. The purposes of this circular are to provide you with, among other things, (i) further information on the Acquisitions; (ii) a letter of recommendations from the Independent Board Committee in relation to the Acquisitions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Acquisitions; (iv) financial information of the Group and the Target Holding Companies; (v) valuation reports on the Target Holding Companies and the New Metro Property Projects, respectively; (vi) information relating to the Director subject to re-election; and (vii) a notice of the GM.

THE ACQUISITIONS

As disclosed in the circular issued by the Company on 18 March 2019, the introduction of Guangzhou Metro as a strategic shareholder of the Company would put the Company in a better position (vis-à-vis its competitors) to gain the rights to participate in different new metro property development projects won by Guangzhou Metro, which would in turn facilitate the realization of the Company's business strategy of "Railway + Property". The acquisition by the Company of an 86% interest in the first of such projects (as referred in the circular mentioned above) was completed in April 2019.

As disclosed in the Option Announcement, with the benefit of its strategic relationship with Guangzhou Metro, the Company secured the right to acquire a 51% interest in each of the New Metro Property Projects by entering into two YXP Option Deeds with GZYX on 28 May 2019.

As disclosed in the Announcement, the Company has exercised the two YXP Options pursuant to the terms of the YXP Option Deeds and has nominated the Purchaser, a subsidiary of the Company, to acquire the 51% Equity and Loan Interests. Completion of the Acquisitions pursuant to such exercise will be conditional upon (among others) the obtaining of independent Shareholders' approval.

Subject matter and consideration of the Acquisitions

As disclosed in the Option Announcement, on 28 May 2019, GZYX (and its subsidiaries) entered into, among others, equity transfer agreements with Guangzhou Metro to acquire a 51% equity interest (together with a pro-rata share of the then outstanding shareholders' loans including accrued interest) in each of the Target Companies from Guangzhou Metro (collectively the "**GZYX 51% Acquisition**") and completion of the GZYX 51% Acquisition took place on 30 May 2019. The total amounts paid by GZYX, taking into account the loans then extended by GZYX to the respective Target Holding Companies, in relation to the GZYX 51% Acquisition were approximately RMB4.36 billion (in respect of the Luogang Target Company) and RMB3.49 billion (in respect of the Chen Tougang Target Company). After completion of the GZYX 51% Acquisition, further loans in the aggregate principal amounts of RMB312,426,000 and RMB371,208,600 respectively were extended by GZYX to the Luogang Target Holding Company and the Chen Tougang Target Holding Company.

The Purchaser has entered into the Transaction Documents with Easyway, a wholly-owned subsidiary of GZYX, on 10 September 2019, pursuant to which the Purchaser has conditionally agreed to acquire the 51% Equity and Loan Interests comprising:

(1) the entire equity interest in each of the Target Holding Companies (which hold the respective 51% equity interests in the Target Companies) for a total consideration of RMB128,045,000 (the "**Equity Considerations**") (comprising, (a) RMB71,642,000 (the "**Luogang Equity Consideration**"), being the Appraised Value of the net assets of the Luogang Target Holding Company; and (b) RMB56,403,000 (the "**Chen Tougang Equity Consideration**"), being the Appraised Value of the net assets of the Chen Tougang Target Holding Company);

(2) interests in the loans owing by the Target Holding Companies to GZYX in the aggregate principal amount of RMB1,120,980,858 (together with accrued interest, if applicable), comprising:

(i) RMB579,770,856 owing by the Luogang Target Holding Company to GZYX (the "**Luogang Target Holdco Interest Bearing Loan**") and RMB540,279,789 owing by the Chen Tougang Target Holding Company to GZYX (the "**Chen Tougang Target Holdco Interest Bearing Loan**"), each bears interest at 6.5% per annum from and including the respective dates when such Loans (as defined below) were made to the relevant Target Holding Company by GZYX, which will be assigned to the Purchaser on a dollar-for-dollar basis upon completion of the Acquisitions; and

(ii) RMB590,063 owing by the Luogang Target Holding Company to GZYX (the "**Luogang Target Holdco Non-Interest Bearing Loan**") and RMB340,150 owing by the Chen Tougang Target Holding Company to GZYX (the "**Chen Tougang Target Holdco Non-Interest Bearing Loan**"), each does not bear interest, and will be refinanced by the Purchaser upon completion of the Acquisitions; and

(3) interests in the loans owing by the Target Companies to GZYX in the aggregate principal amount of RMB7,409,433,929 (together with accrued interest, if applicable), comprising:

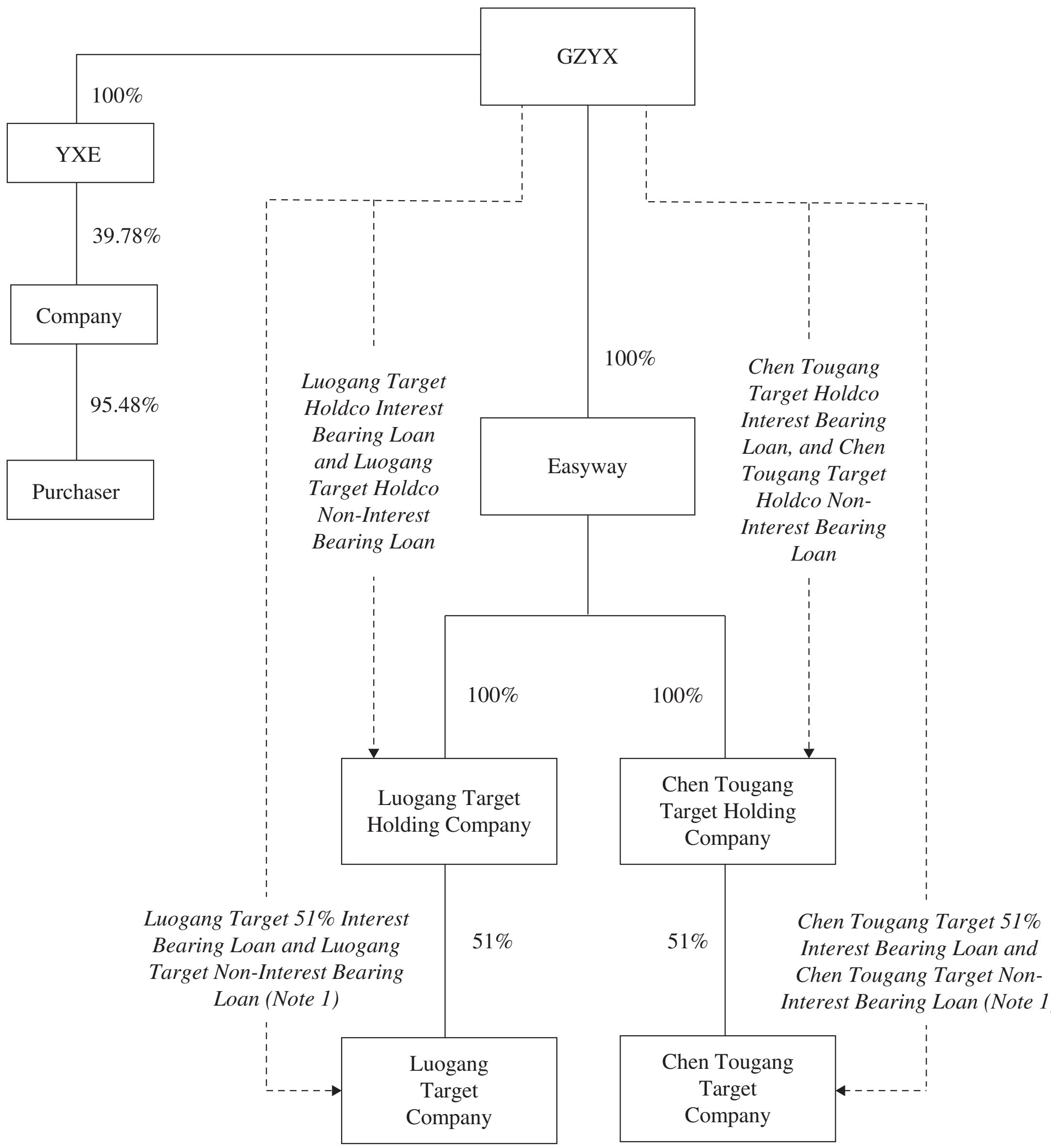
(i) RMB4,005,102,573 owing by the Luogang Target Company to GZYX (the "**Luogang Target 51% Interest Bearing Loan**") and RMB3,248,026,800 owing by the Chen Tougang Target Company (the "**Chen Tougang Target 51% Interest Bearing Loan**"), each bears interest to GZYX at 6.5% per annum from and including 31 May 2019 (being the date following the date of completion of the GZYX 51% Acquisition), which will be assigned to the Purchaser on a dollar-for-dollar basis upon completion of the Acquisitions; and

(ii) RMB85,707,785 owing by the Luogang Target Company to GZYX (the "**Luogang Target Non-Interest Bearing Loan**") and RMB70,596,771 owing by the Chen Tougang Target Company to GZYX (the "**Chen Tougang Target Non-Interest Bearing Loan**"), each does not bear interest, which will be assigned to the Purchaser on a dollar-for-dollar basis upon completion of the Acquisitions (the loans described in paragraphs (2) and (3) above shall be collectively referred to as the "**Loans**", and the equivalent amount of the Loans to be paid by the Purchaser shall be collectively referred to as the "**Loan Consideration**"), (the above are collectively referred to as the "**Acquisitions**").

For illustrative purpose, assuming completion of the Acquisitions takes place on 15 November 2019 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser for the Acquisitions would be approximately RMB8,910,951,018 (comprising RMB4,881,353,609 for the Luogang Acquisition and RMB4,029,597,409 for the Chen Tougang Acquisition, respectively).

Corporate structure before and immediately after the completion of the Acquisitions

Set out below is the simplified corporate structure chart as at the Latest Practicable Date:



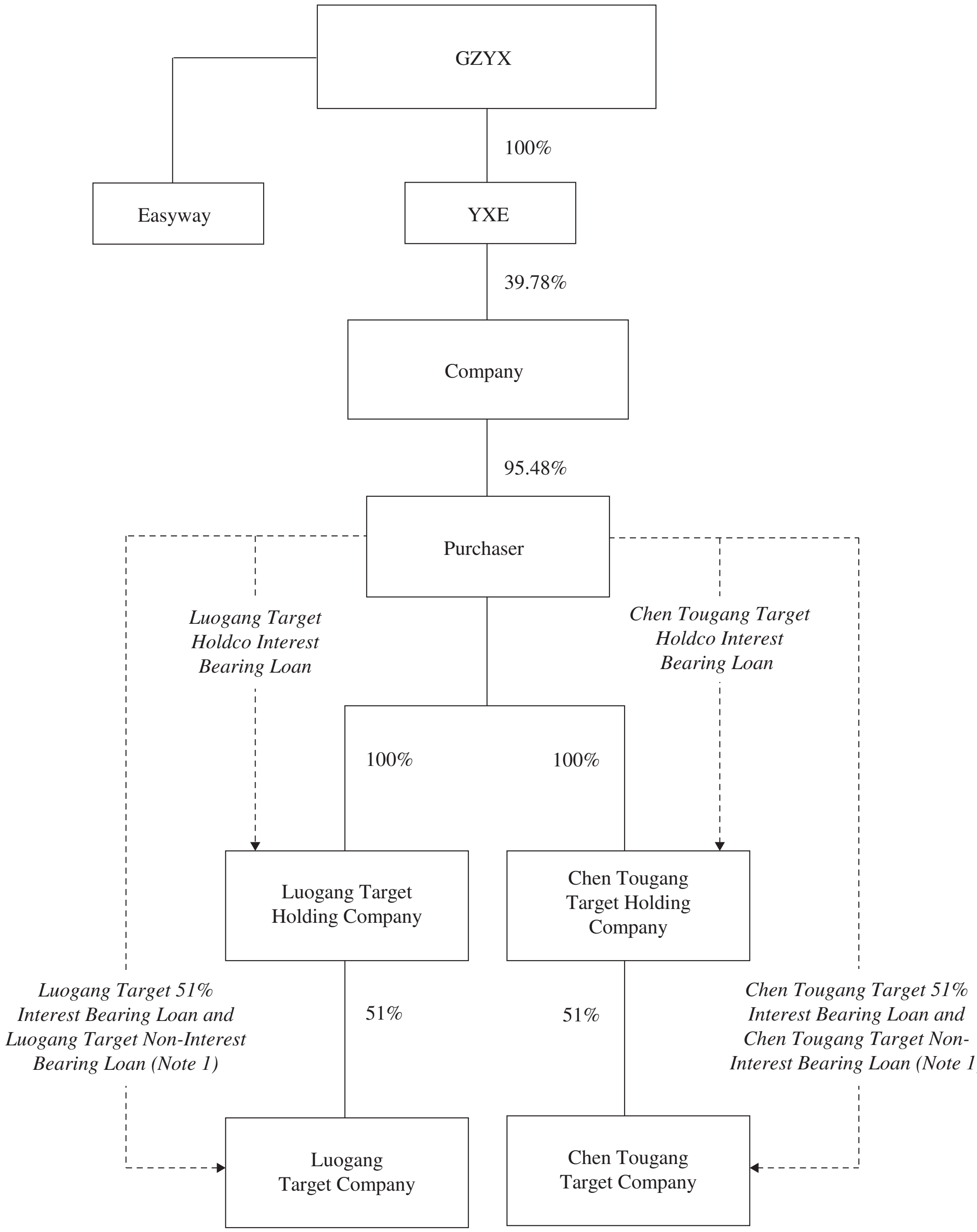
Note 1: As a result of assignments of the Luogang Target Non-Interest Bearing Loan and Chen Tougang Target Non-Interest Bearing Loan (which were originally owed by each of the Target Companies to the Target Holding Companies), such loans are now owed by the Target Companies to GZYX directly.

Note 2:

——————— indicates shareholding/holding of equity interest (direct/indirect)

- - - - - - - - ▶ indicated debt provided by one party to another

Set out below is the simplified corporate structure chart immediately after completion of the Acquisitions:



Note 1: As a result of assignments of the Luogang Target Non-Interest Bearing Loan and Chen Tougang Target Non-Interest Bearing Loan (which were originally owed by each of the Target Companies to the Target Holding Companies), such loans are now owed by the Target Companies to GZYX directly

Note 2:

——————— indicates shareholding/holding of equity interest (direct/indirect)

- - - - - - - - - - -> indicates debt provided by one party to another

BASIS OF DETERMINATION OF CONSIDERATION FOR THE LUOGANG ACQUISITION AND THE CHEN TOUGANG ACQUISITION

As at 30 June 2019, the Appraised Values of the Luogang Project and the Chen Tougang Project, as determined by the Independent Valuer using the comparison approach and cost approach, were approximately RMB8,932,000,000 and RMB8,678,000,000 respectively (each a "**Project Valuation**"), translating into approximately RMB14,752 and RMB14,874 per square metre, respectively, in terms of plot ratio accountable gross floor area (which is 605,472 m^2 in respect of the Luogang Project and 583,447 m^2 in respect of the Chen Tougang Project).

The consideration for the entire equity interests in the Target Holding Companies (which in turn hold the respective 51% equity interests in the Target Companies) to be acquired by the Purchaser was determined based on the respective Appraised Values of the net assets of the Target Holding Companies as at 30 June 2019, being approximately RMB71,642,000 and RMB56,403,000 respectively, as determined by the Independent Valuer.

As the sole asset held by each Target Holding Company (other than cash and cash equivalents) is its 51% equity interest in the relevant Target Company, the Independent Valuer determined the Appraised Value of the net assets of each Target Holding Company as at 30 June 2019 by (among other things) valuing its interest in the relevant Target Company at 51% of the Appraised Value of the net assets of the relevant Target Company as at 30 June 2019 and taking into account the liabilities of the Target Holding Company as at 30 June 2019 (which mainly comprised of shareholder's loans advanced by GZYX together with interest accrued up to 30 June 2019). In determining the Appraised Value of the net assets of each Target Company as at 30 June 2019, the Independent Valuer took into account (among other things) (a) the relevant Project Valuation and the deferred tax liabilities associated with the potential fair value gain of the relevant New Metro Property Project; and (b) the liabilities of the relevant Target Company as at 30 June 2019 (which mainly comprised of loans advanced by GZYX and Guangzhou Metro together with interest accrued up to 30 June 2019).

For illustrative purpose, assuming completion of the Acquisitions takes place on 15 November 2019 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser for the Acquisitions would be approximately RMB8,910,951,018 (comprising approximately RMB4,881,353,609 for the Luogang Acquisition and approximately RMB4,029,597,409 for the Chen Tougang Acquisition, respectively).

As disclosed in the Option Announcement, pursuant to the YXP Option Deeds, the exercise price of each of the YXP Options shall be the higher of: (1) GZYX's original cost of acquisition (inclusive of any further funding provided by GZYX to the relevant Target Company) plus interest accrued in each case and other incidental costs (and after making fair and reasonable adjustments taking into account the deal structure) (the "**Total Contribution Approach**"); and (2) the value of the interests to be transferred as determined based on the valuation report prepared by an independent professional valuer to be agreed by GZYX and the Company (the "**Appraised Value Approach**"). For the current exercise of the YXP Options, the Appraised Value Approach should prevail because it is expected that the Total Acquisition Amount (as determined and illustrated above assuming completion of the Acquisitions takes place on 15 November 2019) would be approximately equal to or marginally higher than an exercise price determined based on the Total Contribution Approach.

THE TRANSACTION DOCUMENTS

The terms of the Luogang Transaction Documents and the Chen Tougang Transaction Documents are substantially the same (save for, among others, the amounts payable thereunder). Details of the terms of the Transaction Documents are described below:

1. The Luogang Acquisition

(i) The Luogang Equity Transfer Agreement dated 10 September 2019 ("Luogang Equity Transfer Agreement")

Parties: Easyway (a wholly-owned subsidiary of GZYX) (as seller) and the Purchaser (a company which is indirectly owned as to 95.48% by the Company) (as purchaser).

(ii) The Luogang Loan Assignment Agreements dated 10 September 2019 ("Luogang Loan Assignment Agreements")

Parties:

(a) in respect of Luogang Target Holdco Interest Bearing Loan and the Luogang Target Holdco Non-Interest Bearing Loan: GZYX (as assignor), the Purchaser (as assignee) and the Luogang Target Holding Company (as debtor);

(b) in respect of the Luogang Target 51% Interest-Bearing Loan and the Luogang Target Non-Interest Bearing Loan: GZYX (as assignor), the Purchaser (as assignee) and the Luogang Target Company (as debtor).

2. The Chen Tougang Acquisition

(i) The Chen Tougang Equity Transfer Agreement dated 10 September 2019 ("Chen Tougang Equity Transfer Agreement", together with Luogang Equity Transfer Agreement, the "Equity Transfer Agreements", and "Equity Transfer Agreement" shall mean either one of them)

Parties: Easyway (a wholly-owned subsidiary of GZYX) (as seller) and the Purchaser (a company which is indirectly owned as to 95.48% by the Company) (as purchaser).

(ii) ***The Chen Tougang Loan Assignment Agreements dated 10 September 2019 ("Chen Tougang Loan Assignment Agreements")***

Parties:

(a) in respect of Chen Tougang Target Holdco Interest Bearing Loan and the Chen Tougang Target Holdco Non-Interest Bearing Loan: GZYX (as assignor), the Purchaser (as assignee) and the Chen Tougang Target Holding Company (as debtor);

(b) in respect of the Chen Tougang Target 51% Interest-Bearing Loan and the Chen Tougang Target Non-Interest Bearing Loan: GZYX (as assignor), the Purchaser (as assignee) and the Chen Tougang Target Company (as debtor).

Conditions

The effective date of each of the Transaction Documents (the "**Transaction Effective Date**") shall be the day on which the last of the following conditions has been satisfied:

(a) the Independent Shareholders having passed all necessary resolutions at the GM to approve the relevant Transaction Document and the transactions contemplated thereunder; and

(b) the consent(s) and/or waiver(s) of the relevant regulatory authorities which are necessary in connection with the execution, delivery and performance of the relevant Transaction Documents and the transactions contemplated thereunder having been obtained (and such approval(s) not being subsequently revoked prior to completion of the Acquisitions).

As it is contemplated that the Luogang Acquisition and the Chen Tougang Acquisition will be put forward in the same resolution at the GM, the effectiveness of the Luogang Acquisition and Chen Tougang Acquisition are inter-conditional, and the effective date of the Luogang Transaction Documents and the Chen Tougang Transaction Documents is expected to be the same date.

Consideration, payment terms and completion

Subject to the Transaction Documents having become effective:

(a) each of the Luogang Equity Consideration of RMB71,642,000 and the Chen Tougang Equity Consideration of RMB56,403,000 shall be payable in cash in full by the Purchaser to Easyway within five business days of the Transaction

Effective Date, and completion of each Equity Transfer Agreement shall take place on the date on which such relevant transfer is registered at the relevant administration for industry and commerce (collectively, the "**Equity Transfer Registrations**");

(b) within ten business days of the date of completion of the relevant Equity Transfer Agreement:

(i) GZYX shall transfer to the Purchaser all of its rights and interests in the Luogang Target Holdco Interest Bearing Loan, the Luogang Target 51% Interest Bearing Loan and the Luogang Target Non-Interest Bearing Loan (in respect of the Luogang Acquisition), and/or the Chen Tougang Target Holdco Interest Bearing Loan, the Chen Tougang Target 51% Interest Bearing Loan and the Chen Tougang Target Non-Interest Bearing Loan (in respect of the Chen Tougang Acquisition), as the case may be (together with accrued interest, if applicable) and the Purchaser shall pay an equivalent amount to GZYX; and

(ii) the Purchaser shall provide a loan to each of the Luogang Target Holding Company and/or the Chen Tougang Target Holding Company (as the case may be) to enable it to repay the Luogang Target Holdco Non-Interest Bearing Loans and the Chen Tougang Target Holdco Non-Interest Bearing Loans, respectively, in full.

Indemnity

Each party to the Luogang Transaction Documents and the Chen Tougang Transaction Documents (as the case may be) agrees to indemnify each of the other parties to the relevant Transaction Document against all losses, debts, taxes, damages, litigation and settlement costs and expenses suffered by the non-defaulting parties as a result of or in connection with any breach of the respective obligations of the defaulting parties.

Termination

After an Equity Transfer Agreement becomes effective, no party thereto shall be entitled to terminate that agreement except upon the occurrence of either one of the following events:

(a) agreement in writing between the parties to the agreement; or

(b) termination pursuant to any applicable laws, rules and regulations or pursuant to other terms of the agreement.

Upon termination of an Equity Transfer Agreement due to the default of any party, any part of the amounts payable under the Transaction Document (namely, the Equity Considerations and the Loan Considerations) which has been paid, shall be returned to the Purchaser. The defaulting party shall pay compensation and attend to all necessary procedures to unwind the relevant Equity Transfer pursuant to the terms of the relevant Equity Transfer Agreement and applicable laws and regulations.

MANAGEMENT OF THE TARGET COMPANIES

As a result of the completion of the Acquisitions, (a) the Target Holding Companies will become wholly-owned subsidiaries of the Company; (b) each of the Target Companies will become indirectly owned as to 51% by the Company; and (c) the financial results of the Target Holding Companies and the Target Companies will be consolidated into those of the Company.

Pursuant to the cooperative development agreement dated 28 May 2019 in relation to the establishment of the Luogang Target Company (the "**Luogang Cooperative Development Agreemen**t"), Guangzhou Metro, GZYX, the Luogang Target Holding Company and Science City agreed to cooperate to jointly develop the Luogang Project through the Luogang Target Company. Pursuant to the cooperative development agreement dated 28 May 2019 in relation to the establishment of the Chen Tougang Target Company (the "**Chen Tougang Cooperative Development Agreement**"), Guangzhou Metro, GZYX and the Chen Tougang Target Holding Company agreed to cooperate to jointly develop the Chen Tougang Project through the Chen Tougang Target Company.

Under the relevant cooperative development agreement, the relevant Target Holding Company is mainly responsible for the overall daily operational management of the respective New Metro Property Project. Unanimous approval of all the shareholders of the relevant Target Company is required for matters in relation to pledging of the shares or capital investment certificate of the relevant Target Company or the provision of guarantee by the relevant Target Company for the liabilities of a third party.

Board composition and reserved matters

Pursuant to the Luogang Cooperative Development Agreement, the Luogang Target Company has a total of nine directors, three of whom shall be appointed by Guangzhou Metro, five of whom shall be appointed by the Luogang Target Holding Company and one of whom shall be appointed by Science City.

Pursuant to the Chen Tougang Cooperative Development Agreement, the Chen Tougang Target Company has a total of five directors, two of whom shall be appointed by Guangzhou Metro and three of whom shall be appointed by the Chen Tougang Target Holding Company.

Pursuant to the Luogang Cooperative Development Agreement and the Chen Tougang Cooperative Development Agreement, all matters requiring board approval are subject to simple majority vote other than certain reserve matters such as (among others) increase or reduction of the registered capital, any merger, change in company form or liquidation and amendment of articles, which are subject to the approval of more than two-thirds of the directors of the relevant Target Company.

Further funding

In the event that additional funding is required for the development and construction of any New Metro Property Project, the relevant Target Company shall first seek external financing. In the event any Target Company does not have sufficient assets to secure its obligations under the external financing, subject to compliance with the respective internal approval procedures of the shareholders of the relevant Target Company and subject to the approval of the shareholders of the relevant Target Company, such shareholders shall provide security or guarantee pro-rata to their then respective equity holdings in the relevant Target Company.

In the event that external financing is insufficient to meet the capital requirements for the development and construction of the relevant New Metro Property Project, the shareholders of the relevant Target Company shall, subject to compliance with their respective internal approval procedures, provide additional shareholders' loans to the relevant Target Company pro-rata to their then respective equity holdings in the relevant Target Company to ensure normal operation of the relevant Target Company and the development of the relevant New Metro Property Project.

Profit distribution arrangements

Pursuant to the Luogang Cooperative Development Agreement and the Chen Tougang Cooperative Development Agreement, the profits of the relevant Target Company shall be shared by the parties to the agreement in proportion to their respective equity interests in the relevant Target Company.

Right of first refusal

Pursuant to the Luogang Cooperative Development Agreement and the Chen Tougang Cooperative Development Agreement, respectively, the shareholders of the relevant Target Company granted to each other a right of first refusal, where, subject to 95% or more of the total saleable area of the relevant New Metro Property Project having been sold, any one of the shareholders of the relevant Target Company (the "**Transferor**") may transfer all or part of its equity interest in the relevant Target Company and assign all or part of the shareholder's loan (including any unpaid interest) owing to the Transferor by the relevant Target Company. It is the understanding between the shareholders of the relevant Target Company that the transfer of any such equity interest must be accompanied by the assignment of the same percentage of the Transferor's interest in the shareholder's loan owing to the Transferor by such Target Company, and vice versa.

The Company will take into account the implications under the Listing Rules when it proposes to transfer its interests in the relevant Target Company, or when considering whether to exercise the right of first refusal mentioned above (pursuant to a proposed transfer of interests in the relevant Target Company by the other shareholders of the relevant Target Company), and will comply with the applicable Listing Rules requirements (if any) in respect of the same.

Each of the Target Holding Companies and the Purchaser shall ensure that Guangzhou Metro's normal railway operations are not affected by the construction works of the relevant New Metro Property Project, and that the relevant New Metro Property Project complies with the safety management system and standards of Guangzhou Metro. If Guangzhou Metro becomes aware of a safety or quality issue caused by any New Metro Property Project failing to meet safety standards prescribed by Guangzhou Metro, it is entitled to demand for the construction works of the relevant New Metro Property Project to be suspended, in which case the Purchaser and the relevant Target Holding Company shall indemnify Guangzhou Metro against all losses suffered by Guangzhou Metro due to suspension of railway service and/or due to delay in construction works of the relevant New Metro Property Project in accordance with the terms of the Luogang Cooperative Development Agreement and/or the Chen Tougang Cooperative Development Agreement (as the case may be).

Construction works and operations related to the New Metro Property Projects involve inherent risks including occupational and safety risks. The Target Holding Companies, the Target Companies and/or the Purchaser may incur liability to Guangzhou Metro or other third parties for, among other things, disruption to the metro service or safety or other incidents caused by or relating to the relevant New Metro Property Project or its respective works or operations. In order to mitigate such risks, each of the Target Companies would take reasonable measures in sourcing subcontractors for its respective New Metro Property Project, including imposing requirements for such subcontractors to take out appropriate insurance. However, there is no assurance that the Target Holding Companies, the Target Companies and/or the Purchaser would be able to transfer all such risks to the subcontractors. In addition, the Enlarged Group may also be subject to related reputational risks.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2019, the net assets of the Enlarged Group would increase from approximately RMB52.62 billion to approximately RMB53.78 billion. At the same time, based on the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2019, the total amount of cash and cash equivalents and charged bank deposits would be maintained at a reasonable level of approximately RMB24.24 billion, representing approximately 11.1% of the total assets of the Enlarged Group. The net assets, cash and cash equivalents and charged bank deposit figures of the Enlarged Group which are referred to in this paragraph were extracted from the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2019, which was prepared based on (among other things) a Total Acquisitions Amount of approximately

RMB8,702,320,000. As the actual amount of the cash consideration of the Luogang Acquisition and the Chen Tougang Acquisition will be different from the corresponding amounts presented in the Unaudited Pro Forma Financial Information of the Enlarged Group as at 30 June 2019, the abovementioned figures as at the date of completion of the Acquisitions will also be different from the corresponding amounts presented in the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2019.

After taking into account the Enlarged Group's internal resources, cash flow from operations and the present facilities available, the Enlarged Group is expected to have sufficient working capital to satisfy its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances. Therefore, it is expected that the payment of consideration for the Acquisitions would not have any material adverse impact on the overall liquidity of the Enlarged Group. Last but not least, the Enlarged Group's premium land reserve gross floor area in Guangzhou would increase as a result of the Transactions, which would contribute to the sales and cash flow of the Enlarged Group.

Subject to, among other things, the fair values of the identifiable assets acquired and liabilities assumed of the Luogang Target Group and the Chen Tougang Target Group, it is expected that the Enlarged Group may record an amount of goodwill or bargain purchase as a result of the Acquisitions at completion date. For illustrative purpose, based on the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2019, as the fair values of the identifiable assets acquired and liabilities assumed of the Luogang Target Group and the Chen Tougang Target Group (collectively, the "**Fair Values**") as of 30 June 2019 were almost equivalent to Total Acquisitions Amount of approximately RMB8,702,320,000, the Enlarged Group would record nil goodwill as a result of the Acquisitions. As the actual amount of the cash consideration of the Luogang Acquisition and the Chen Tougang Acquisition and the Fair Values, in each case as at the date of completion of the Acquisitions, will be different from the corresponding amounts presented in the Unaudited Pro Forma Financial Information of the Enlarged Group as at 30 June 2019, the amount of goodwill or bargain purchase (if any) to be recorded as at the date of completion of the Acquisitions as a result of the Acquisitions may also be different from that as described above. If a bargain purchase is finally recorded, the amount will be reflected in the consolidated statement of profit or loss of the Enlarged Group in the current year; if a goodwill is recorded, it will be tested for impairment on the balance sheet date and the impairment provision, if any, will be reflected in the consolidated statement of profit or loss of the Enlarged Group in the current year. In each case, such amount will not be taken into account in determining the core net profits of the Enlarged Group (based on which a distribution decision is made).

As a result of completion of the Acquisitions: (a) the Luogang Target Holding Company will become a wholly-owned subsidiary of the Company, the Luogang Target Company will become indirectly and directly owned as to 51%, 40% and 9% by the Company, Guangzhou Metro and Science City, respectively; (b) the Chen Tougang Target Holding Company will become a wholly-owned subsidiary of the Company, the Chen Tougang Target Company will become indirectly and directly owned as to 51% and 49% by the Company and Guangzhou Metro, respectively; and (c) the financial results of the Luogang Target Group and the Chen Tougang Target Group will be consolidated into those of the Company.

FINANCIAL INFORMATION OF THE TARGET HOLDING COMPANIES AND THE TARGET COMPANIES

The Luogang Target Holding Company

The audited consolidated financial information of the Luogang Target Holding Company prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants is as follows:

	From 27 November 2018 (being the date of incorporation of the Luogang Target Holding Company) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
Revenue	—	—
Net loss before taxation	—	(6,787)
Net profit after taxation	—	2,056

The audited consolidated total assets and the audited consolidated net asset value of the Luogang Target Holding Company as at 30 June 2019 were RMB9,441,317,000 and RMB598,353,000, respectively as stated in the audited consolidated accounts of the Luogang Target Holding Company for the six months ended 30 June 2019.

The Chen Tougang Target Holding Company

The audited consolidated financial information of the Chen Tougang Target Holding Company prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants is as follows:

	From 27 November 2018 (date of incorporation of the Chen Tougang Target Holding Company) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
Revenue	—	—
Net profit before taxation	—	6,641
Net profit after taxation	—	11,362

The audited consolidated total assets and the audited consolidated net asset value of the Chen Tougang Target Holding Company as at 30 June 2019 were RMB9,352,759,000 and RMB566,293,000, respectively, as stated in the audited consolidated accounts of the Chen Tougang Target Holding Company for the six months ended 30 June 2019.

INFORMATION OF THE PARTIES TO THE ACQUISITIONS AND THE NEW METRO PROPERTY PROJECTS

The Company

The Company is principally engaged in property development and investment, focusing on property development in the Guangdong-Hong Kong-Macau Greater Bay Area, Eastern Region, Central Region and Northern Region.

The Luogang Target Holding Company

The Luogang Target Holding Company is currently an investment holding company whose sole asset (other than cash or cash equivalents) is a 51% equity interest in the Luogang Target Company. It was principally engaged in the management and operation of properties and provision of property and investment consulting services.

The Luogang Target Company

The Luogang Target Company is principally engaged in property development and management, including the development of Pinxiu Xingyue (品秀星樾) located at east of Lihong One Road, south of Kaichuang Avenue, west of Kaiyuan Avenue and north of Banhe Road, Huangpu District, Guangzhou. It is also the sole registered owner of the Luogang Project.

The Chen Tougang Target Holding Company

The Chen Tougang Target Holding Company is currently an investment holding company whose sole asset (other than cash or cash equivalents) is a 51% equity interest in the Chen Tougang Target Company. It was principally engaged in the development and operation of properties and provision of corporate management services.

The Chen Tougang Target Company

The Chen Tougang Target Company is principally engaged in property development and management, including the development of Pinxiu Xinghan (品秀星瀚) located at the southwest of Dongxiao South Road and Dongxin Expressway, Panyu District, Guangzhou. It is also the sole registered owner of the Chen Tougang Project.

Easyway

Easyway is an investment holding company which is wholly-owned by GZYX.

The Purchaser

The Purchaser is an investment holding company.

GZYX

GZYX is beneficially wholly-owned by the Guangzhou Municipal People's Government of the PRC. GZYX, through its various subsidiaries, engages in various businesses including (among others) financial business, property development, infrastructure and construction.

Science City

Science City is principally engaged in the provision of services in construction and infrastructure. Science City is an Independent Third Party.

The New Metro Property Projects

(i) The Luogang Project

The Luogang project (the "**Luogang Project**") is located at east of Lihong One Road, south of Kaichuang Avenue, west of Kaiyuan Avenue and north of Banhe Road, Huangpu District, Guangzhou, Guangdong Province. The Luogang Project is adjacent to the Xiangxue Station of the No. 6 subway line, which is only 600 metres away, and is directly connected to the station by an underpass. The Company understands that this is the only sizeable parcel of land in the core area of Huangpu District (with a site area of 282,931 m^2, a plot ratio accountable gross floor area of 605,472 m^2 and a gross floor area of 935,795 m^2) on which a mixed-use property complex comprising residential buildings and educational facilities can be developed. The construction of the Luogang Project to expected to complete in June 2023.

(ii) The Chen Tougang Project

The Chen Tougang project (the "**Chen Tougang Project**") is located at the southwest of Dongxiao South Road and Dongxin Expressway, Panyu District, Guangzhou, Guangdong Province., which is east of Chen Tougang Station on the No. 22 subway line. The Chen Tougang Project is a rare residential-only property development project of such a large size (with a site area of 242,094 m^2 and a plot ratio accountable gross floor area of 583,447 m^2 and a gross floor area of 876,741 m^2) in the Panyu District. The No. 22 subway line is expected to commence operation in 2020, which is expected to correspond with the Chen Tougang Project's sales period and in turn help to increase the value of the project. The construction of the Chen Tougang Project is expected to complete in October 2023.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Board is of the view that acquiring a 51% interest in the New Metro Property Projects in Guangzhou represents an important step to forging the Company's strategic co-operation with Guangzhou Metro and to pursuing its business strategy of "Railway + Property". Upon completion of the Acquisitions, the gross floor area of the Group's metro related projects will increase to approximately 3.2 million m^2, representing approximately 14.9% of the current total land bank of the Group and approximately 36.3% of its land bank in first tier cities, in each case as at the Latest Practicable Date.

The Board considers that the terms of the Acquisitions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, provided that the independent non-executive Directors' view is subject to the advice of the Independent Financial Adviser and the opinion of the Independent Board Committee will be set forth in the circular to be despatched to the Shareholders.

IMPLICATIONS UNDER LISTING RULES

As at the Latest Practicable Date, GZYX wholly-owns YXE (the controlling shareholder of the Company) and is therefore an associate of YXE and, hence, a connected person of the Company. Accordingly, each of the Acquisitions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions, on an aggregated basis, exceeds 25% but is less than 100%, the Acquisitions and the transactions contemplated thereunder, on an aggregated basis, constitute a major and connected transaction of the Company. Accordingly, each of the Acquisitions and the transactions contemplated thereunder are subject to the reporting, announcement, circular and the approval of the Independent Shareholders at the GM under Chapters 14 and 14A of the Listing Rules.

Pursuant to the Listing Rules, any Shareholder who has a material interest in any of the Acquisitions and the transactions contemplated thereunder other than its interest as a Shareholder, and such Shareholder's associates, shall abstain from voting on the resolution to approve the same to be proposed at the GM.

Each of GZYX and its respective associates will abstain from voting on the relevant resolution to approve the Acquisition Agreements and the transactions contemplated thereunder to be proposed at the general meeting of the Company.

Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the Acquisitions, and therefore no other Shareholder is required to abstain from voting on the relevant resolution to approve the Transaction Documents and the transactions contemplated thereunder for the purpose of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Acquisitions.

Yu Ming Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions, such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

PROPOSED RE-ELECTION OF DIRECTOR

Separately from the Acquisitions, in accordance with Article 98 of the Company's articles of association, Mr. Ouyang Changcheng (who was appointed as non-executive Director with effect from 23 July 2019) shall hold office only until the next following general meeting of the Company. Accordingly, he will retire at the General Meeting.

Mr. Ouyang Changcheng ("**Mr. Ouyang**"), being eligible, will offer himself for re-election at the General Meeting. Biographical details of Mr. Ouyang, which are required to be disclosed by the Listing Rules, are set out below.

Mr. Ouyang, aged 49, was appointed non-executive Director of the Company in July 2019. Mr. Ouyang currently serves as the Chief Planner of Guangzhou Metro. Mr. Ouyang holds a bachelor degree in engineering and a master degree in engineering from Southwest Jiaotong University.

Mr. Ouyang had served in various different positions, including as the deputy general engineer of Guangzhou Metro, the deputy general engineer of Guangzhou Metro Corporation* (廣州市地下鐵道總公司), and the director of the Planning & Reserve Center directly under Guangzhou Metro. Mr. Ouyang has strong communication and coordination and business expansion capabilities and extensive experiences in corporate operation and management. Mr. Ouyang has been engaged in the planning of urban rail transit networks of Guangzhou. He is familiar with urban development planning and has strong integration and coordination capabilities in project management. The appointment of Mr. Ouyang as a non-executive director will facilitate the cooperation between the Group and Guangzhou Metro in relation to current and future new metro property development projects.

Apart from being a non-executive Director, Mr. Ouyang does not hold any other positions with the Company or any of its subsidiaries. Save as disclosed above, Mr. Ouyang does not have any relationship with any other directors, senior management or substantial or controlling shareholders (each as defined in the Listing Rules) of the Company, and Mr. Ouyang has not held any directorships in other listed public companies, the securities of which are listed in

Hong Kong or overseas, in the past three years preceding the date of this circular. As at the Latest Practicable Date, Mr. Ouyang does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service agreement between the Company and Mr. Ouyang. Mr. Ouyang will retire and be eligible for re-election in accordance with the articles of association of the Company. Mr. Ouyang is entitled to receive an annual director's fee of HK$280,000 from the Company.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 October 2019 to Tuesday, 22 October 2019 (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 the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Thursday, 17 October 2019.

GM AND CIRCULAR

The GM will be held at 3:00 p.m. on Tuesday, 22 October 2019 at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of the 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 54, 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 adjourned meeting 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 adjourned meeting 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.

You can vote at the GM if you are a Shareholder on 22 October 2019. 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

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

Pursuant to the Listing Rules, any Shareholder who has a material interest in any of the Transaction Documents and the transactions contemplated thereunder other than its interest as a Shareholder, and such Shareholder's associates shall abstain from voting on the resolution to approve the same to be proposed at the GM. Each of GZYX and its respective associates will abstain from voting on the relevant resolution to approve the Transaction Documents and the transactions contemplated thereunder to be proposed at the GM.

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 Acquisitions, and therefore no other Shareholder is required to abstain from voting on the relevant resolution to approve the Transaction Documents and the transactions contemplated thereunder for the purpose of the Listing Rules.

RECOMMENDATIONS

You are advised to read carefully the letter from the Independent Board Committee on pages 28 to 30 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 31 to 59 of this circular, consider that (a) the terms and conditions of the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions) at the GM.

The Board considers that (1) the terms of the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the GM.

Shareholders and potential investors of the Company should be aware that the Acquisitions are subject to certain conditions being satisfied, therefore the Acquisitions 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.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Yuexiu Property Company Limited
Lin Zhaoyuan
Chairman and executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions).

越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock code: 00123)

27 September 2019

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF A 51% INTEREST IN TWO NEW METRO PROPERTY PROJECTS;
(2) PROPOSED RE-ELECTION OF DIRECTOR;
(3) NOTICE OF GM; AND
(4) CLOSURE OF REGISTER OF MEMBERS

We refer to the circular of the Company dated 27 September 2019 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to (1) whether the terms and conditions of the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and (2) how to vote in respect to the resolution to be proposed at the GM to approve the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions) after taking into account the recommendation of the Independent Financial Adviser.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, as set out on pages 28 to 30 of the Circular; and (ii) the letter from the Board as set out on pages 7 to 27 of the Circular.

Having considered the terms of the Transaction Documents and the transactions contemplated thereunder and the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that the terms and conditions of the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolution to approve the Transaction Documents and the transactions contemplated thereunder (namely, the Acquisitions) at the GM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

YU Lup Fat Joseph	**LEE Ka Lun**	**LAU Hon Chuen Ambrose**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

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

YU MING INVESTMENT MANAGEMENT LIMITED
禹 銘 投 資 管 理 有 限 公 司

27 September 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF A 51% INTEREST IN TWO NEW METRO PROPERTY PROJECTS

INTRODUCTION

Reference is made to the announcement of the Company dated 10 September 2019 in connection with the Acquisitions, details of which are set out in the section headed "Letter from the Board" (the "**Letter**") in the circular of the Company dated 27 September 2019 (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.

As disclosed in the Option Announcement, with the benefit of its strategic relationship with Guangzhou Metro, the Company secured the right to acquire a 51% interest in each of the New Metro Property Projects by entering into two YXP Option Deeds with GZYX on 28 May 2019.

On 10 September 2019, the Company has exercised the two YXP Options pursuant to the terms of the YXP Option Deeds and that it has nominated the Purchaser, a subsidiary of the Company, to acquire the 51% Equity and Loan Interests.

As disclosed in the Option Announcement, on 28 May 2019, GZYX (and its subsidiaries) entered into, among others, equity transfer agreements with Guangzhou Metro to acquire a 51% equity interest (together with a pro-rata share of the then outstanding shareholders' loans including accrued interest) in each of the Target Companies from Guangzhou Metro (collectively the "**GZYX 51% Acquisition**") and completion of the GZYX 51% Acquisition took place on 30 May 2019. The total amounts paid by GZYX, taking into account the loans then extended by GZYX to the respective Target Holding Companies, in relation to the GZYX 51% Acquisition were approximately RMB4.36 billion (in respect of the Luogang Target Company) and RMB3.49 billion (in respect of the Chen Tougang Target Company). After completion of the GZYX 51% Acquisition, further loans in the aggregate principal amounts of RMB312,426,000 and RMB371,208,600 respectively were extended by GZYX to the Luogang Target Holding Company and the Chen Tougang Target Holding Company.

The Purchaser has entered into the Transaction Documents with Easyway, a wholly-owned subsidiary of GZYX, on 10 September 2019, pursuant to which the Purchaser has conditionally agreed to acquire the 51% Equity and Loan Interests comprising:

(1) the entire equity interest in each of the Target Holding Companies (which hold the respective 51% equity interests in the Target Companies) for a total consideration of RMB128,045,000 (the "**Equity Considerations**") (comprising, (a) RMB71,642,000 (the "**Luogang Equity Consideration**"), being the Appraised Value of the net assets of the Luogang Target Holding Company; and (b) RMB56,403,000 (the "**Chen Tougang Equity Consideration**"), being the Appraised Value of the net assets of the Chen Tougang Target Holding Company);

(2) interests in the loans owing by the Target Holding Companies to GZYX in the aggregate principal amount of RMB1,120,980,858 (together with accrued interest, if applicable), comprising:

   (i) RMB579,770,856 owing by the Luogang Target Holding Company to GZYX (the "**Luogang Target Holdco Interest Bearing Loan**") and RMB540,279,789 owing by the Chen Tougang Target Holding Company to GZYX (the "**Chen Tougang Target Holdco Interest Bearing Loan**"), each bears interest at 6.5% per annum from and including the respective dates when such Loans (as defined below) were made to the relevant Target Holding Company by GZYX, which will be assigned to the Purchaser on a dollar-for-dollar basis upon completion of the Acquisitions; and

   (ii) RMB590,063 owing by the Luogang Target Holding Company to GZYX (the "**Luogang Target Holdco Non-Interest Bearing Loan**") and RMB340,150 owing by the Chen Tougang Target Holding Company to GZYX (the "**Chen Tougang Target Holdco Non-Interest Bearing Loan**"), each does not bear interest, and will be refinanced by the Purchaser upon completion of the Acquisitions; and

(3) interests in the loans owing by the Target Companies to GZYX in the aggregate principal amount of RMB7,409,433,929 (together with accrued interest, if applicable), comprising:

   (i) RMB4,005,102,573 owing by the Luogang Target Company to GZYX (the "**Luogang Target 51% Interest Bearing Loan**") and RMB3,248,026,800 owing by the Chen Tougang Target Company (the "**Chen Tougang Target 51% Interest Bearing Loan**"), each bears interest to GZYX at 6.5% per annum from and including 31 May 2019 (being the date following the completion of the GZYX 51% Acquisition), which will be assigned to the Purchaser on a dollar-for-dollar basis upon completion of the Acquisitions; and

(ii) RMB85,707,785 owing by the Luogang Target Company to GZYX (the "**Luogang Target Non-Interest Bearing Loan**") and RMB70,596,771 owing by the Chen Tougang Target Company to GZYX (the "**Chen Tougang Target Non-Interest Bearing Loan**"), each does not bear interest, which will be assigned to the Purchaser on a dollar-for-dollar basis upon completion of the Acquisitions (the loans described in paragraphs (2) and (3) above shall be collectively referred to as the "**Loans**", and the equivalent amount of the Loans to be paid by the Purchaser shall be collectively referred to as the "**Loan Consideration**"), (the above are collectively referred to as the "**Acquisitions**").

For illustrative purpose, assuming completion of the Acquisitions takes place on 15 November 2019 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser for the Acquisitions would be approximately RMB8,910,951,018 (comprising RMB4,881,353,609 for the Luogang Acquisition and RMB4,029,597,409 for the Chen Tougang Acquisition, respectively).

Implications under Listing Rules

As at the Latest Practicable Date, GZYX wholly-owns YXE (the controlling shareholder of the Company) and is therefore an associate of YXE and, hence, a connected person of the Company. Accordingly, each of the Acquisitions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions, on an aggregated basis, exceeds 25% but is less than 100%, the Acquisitions and the transactions contemplated thereunder, on an aggregated basis, constitute a major and connected transaction of the Company. Accordingly, each of the Acquisitions and the transactions contemplated thereunder are subject to the reporting, announcement, circular requirements and the approval of the Independent Shareholders at the GM under Chapters 14 and 14A of the Listing Rules.

Each of GZYX and its respective associates will abstain from voting on the relevant resolutions to approve the Acquisition Agreements and the transactions contemplated thereunder to be proposed at the general meeting of the Company.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Acquisitions.

Yu Ming Investment Management Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions.

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 in the past two years (details of the connected transactions were set out in the circular of the Company dated 9 March 2018 and the circular of the Company dated 18 March 2019). These previous engagements had been completed after the issue of the respective announcement and circular of the Company. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we comply with Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Acquisitions to the Independent Board Committee and the Independent Shareholders.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

I. Information of the Group

(a) Background of the Group

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

According to the 2019 interim results announcement of the Company dated 13 August 2019 ("**Results Announcement**"), as at 30 June 2019, the land bank of the Group was approximately 21.52 million sq.m. with a total of 67 projects in 17 cities in the PRC, of which approximately 2.75 million sq.m is attributable to the interest of the Group.

In terms of regional composition, Greater Bay Area accounted for approximately 48.8% of the total landbank, Eastern China Region accounted for approximately 18.1%, Central China Region accounted for approximately 17.7%, Northern China Region accounted for approximately 13.0%, Chengdu Joyful Mansion accounted for approximately 1.4%, Chengdu Qingbaijiang Land accounted for approximately 0.3% and Haikou Simapo Island Land accounted for approximately 0.5%.

A summary of the land bank of the Group as at 30 June 2019 is as follows:

	Location	**Land bank**	**Properties under development**	**Properties for future development**
		(GFA in sq.m.)	*(GFA in sq.m.)*	*(GFA in sq.m.)*
1	Greater Bay Area	10,548,700	6,612,700	3,936,000
2	Eastern China Region	3,902,900	1,965,500	1,937,400
3	Central China Region	3,765,400	2,902,000	863,400
4	Northern China Region	2,839,400	1,453,200	1,386,200
5	Chengdu Joyful Mansion	296,900	152,300	144,600
6	Chengdu Qingbaijiang Land	66,000	–	66,000
7	Haikou Simapo Island Land	100,500	–	100,500
	Total	21,519,800	13,085,700	8,434,100

In the six months ended 30 June 2019, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB36.90 billion, a period-to-period increase of 31.9% and accounted for approximately 54.3% of the full year contracted sales target of RMB68.0 billion. The gross floor area ("**GFA**") of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 1.64 million sq.m., representing a period-to-period increase of 19.3%. The average selling price was approximately RMB22,500 per sq.m., a period-to-period increase of 10.8%.

(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 2018 and the Results Announcement in Table-1 below:

Table-1: Financial highlights of the Group

	For the year ended 31 December		For the six months ended 30 June	
	2017	**2018**	**2018**	**2019**
	Audited	*Audited*	*Unaudited*	*Unaudited*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	23,793,908	26,433,444	10,162,841	21,788,127
Gross profit	6,108,107	8,392,922	2,623,445	6,546,629
Profit before tax	4,785,410	6,783,402	2,716,407	6,233,504
Profit after tax	2,331,646	3,039,493	1,450,265	2,759,118

	As at 31 December		As at 30 June
	2017	**2018**	**2019**
	Audited	*Audited*	*Unaudited*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	37,196,884	35,183,877	39,752,583
Current assets	95,945,627	133,636,621	168,520,871
Current liabilities	52,196,851	72,629,069	90,585,844
Non-current liabilities	43,956,742	53,279,711	65,068,685
Net assets	36,988,918	42,911,718	52,618,925

The revenue of the Group mainly generated from property development, property investment and property management. For the year ended 31 December 2018, the revenue of the Group was approximately RMB26.4 billion, representing a year-on-year increase of 11.1%. Profit attributable to equity holders was approximately RMB2.7 billion, representing a year-on-year increase of 20.7%. Core net profit (profit attributable to equity holders excluding net fair value gain on revaluation of investment properties and the related tax effect and net foreign exchange loss recognised in consolidated statement of profit or loss) was approximately RMB2.8 billion, representing a year-on-year increase of 19.6%. The increase in revenue and profit was mainly due to increase in average selling price per GFA and that more GFA were delivered to customers in 2018.

For six months ended 30 June 2019, the revenue of the Group was approximately RMB21.8 billion, representing a period-to-period increase of 114.4%. Profit attributable to equity holders was approximately RMB1.9 billion, representing a period-to-period increase of 42.4%. Core net profit (profit attributable to equity holders excluding net fair value loss on revaluation of investment properties and the related tax effect and net foreign exchange gain recognised in consolidated statement of profit or loss) was approximately RMB1.8 billion, representing a period-to-period increase of 63.2%. The increase in revenue and profit was mainly due to increase in average selling price per GFA and that more GFA were delivered to customers for the six months ended 30 June 2019.

As at 30 June 2019, the Group's total assets amounted to approximately RMB208.3 billion, representing an increase of approximately 23.4% from approximately RMB168.8 billion as at 31 December 2018. Non-current assets of the Group, which mainly consist of investment properties, interests in joint ventures and interests in associated entities, amounted to approximately RMB39.8 billion as compared to approximately RMB35.2 billion as at 31 December 2018. The Group's current assets recorded an increase of approximately 26.1% from approximately RMB133.6 billion as at 31 December 2018 to approximately RMB168.5 billion as at 30 June 2019, which was mainly resulted from the increase in properties under development, other receivables, prepayments and deposits and cash and cash equivalents. The Group had a cash and cash equivalents of approximately RMB24.5 billion as at 30 June 2019, representing an increase of approximately 11.4% from RMB22.0 billion as at 31 December 2018.

Total liabilities of the Group increased by approximately 23.7% from approximately RMB125.9 billion as at 31 December 2018 to approximately RMB155.7 billion as at 30 June 2019.

As at 30 June 2019, the total equity attributable to owners of the Company amounted to approximately RMB40.0 billion, which represented an increase of approximately 18.1% from approximately RMB33.8 billion as at 31 December 2018.

(c) Business outlook of the Group

As set out in the Results Announcement, looking forward to the second half of 2019, the global economy will still face many risk factors such as the China-US trade conflicts, British hard Brexit and geopolitical risks that will pose enormous uncertainties to the growth in the global economy. Therefore, it is expected that the development of the global economy will slow down. Meanwhile, in response to the slow-down in the global economy and support for economic growth, major developed economies and developing economies will adopt looser policies, and also the Federal Reserve has cut interest rates, which will be conducive to the stabilization and recovery of the global economy in the second half of the year. China's economy as well will face a number of external environmental challenges. In particular, the prospect of China-US trade conflicts will bring certain uncertainties to China's economic growth. Thus macro economy will face more significant downward pressure in the second half of the year. However, in response to the uncertainties from the external factors of the country's economic growth, the Chinese government is expected to continue to increase its supporting macroeconomic growth and continue to implement a proactive fiscal policy and a moderately prudent monetary policy. Besides, it will continue to deepen supply-side reforms and strengthen drive from innovation to accelerate the upgrading of industries and consumption structure. As Chinese market is enormous with huge potential for industrial upgrading, the country will speed up the pace of reform and opening up continuously. With the support of the policy "Six Stabilities" and favorable measures, China's macro economy is expected to maintain a steady growth trend as a whole in the second half of 2019.

In 2019, as an essential pillar of the national economy, the real estate industry is expected to remain stable as a whole. The control policies on the property market will continue to remain stable, adhering to the keynote of "housing for living in rather than for speculation", focusing on city-specific policies and categorized control, speeding up the long-term mechanism of the property market, and ensuring the steady and healthy development of the real estate industry. The property market is expected to remain stable in general supply and the space for price increases will be limited with continuous market differentiation. The market development of the tier-1 and key tier-2 cities will be steady, while the market demand in tier-3 and tier-4 cities is relatively weak. Therefore, the downward pressure is relatively high. However, first-home buyers and upgraders will still dominate the overall market demand. On the one hand, the government will implement the categorized control over "city-specific policies" for the land market of different cities, continue to increase the supply of land in overheating cities to lower the premium of land and control housing prices. On the other hand, the government will stabilize housing prices in falling property markets by reducing land supply and optimizing land structure. Supply of credit fund will remain moderate in general in response to the economic downturn. The financing environment of property developers will be steady and tight, and the government will strengthen the supervision of real estate financing to control the industry risks effectively.

Achieving Annual Targets

In 2019, the Group will adhere to the theme of "in-depth management ability improvement, operation-driven development" and devote every effort to achieve its annual sales and business targets. In terms of sales, the Group will achieve high sell-through rate and cash collection rate through managing the pace of sales, precise launches, flexible marketing and innovative channels, aiming to achieve the annual sales target. For the operation, the Group will speed up project development and asset turnover to continuously enhance profitability. For the product development, adhering to customer needs to improve the competitiveness of products, the Group will focus on building and optimizing its product lines to better satisfy with rigid and improved demand. For the human resource, the Group will deepen the implementation of the mechanisms of co-investment and share incentive schemes, step up the cultivation and introduction of core talents, and enhance the organizational and protection capability for the business.

Acquisition of High-Quality Land Resources by Diversified and Unique Models

The Group will continue to acquire quality land resources via various channels. The Group will optimize the unique acquisition model of "Railway + Property", consolidate acquisition approach of "Group Incubation + Yuexiu Property Purchase", and accelerate cooperation with state-owned enterprises to support the increase of the diversified reserve. Taking the renewal project of Lirendong village as an opportunity, the Group will make the model of old village renewal into a new channel for the Group to obtain quality resources. The Group will strengthen market analysis and research on key potential cities, focusing on projects with high returns and controllable risks, and fast turnover projects in accordance with controlled pace, optimized structure, strict standard and better geographical layout in the open land market. Furthermore, the Group will actively and prudently pursue merger & acquisition opportunities in the secondary market. In respect of regional layout, the Group will focus on cities of the Greater Bay Area to consolidate its dominant position in the market, increasing the investment in cities of Eastern China, Central China and Northern China regions to improve layout of regional development within the country further.

Continued Improvement in Development and Operation Capabilities

Guided by customer needs, the Group will accelerate the establishment of a customer research system, and with the customer's life cycle experience as the direction, provide quality products and services and continue to improve its development and operation capabilities.

The refined management level of operations is strengthened to well manage the operation of the projects, and improve operational efficiency. Besides, the Group will optimize the assessment system of the project schedule as a result of strengthening the project management and ensuring on-time supply and project delivery. Quality control of the projects will be effectively improved by enhancing the standardization of project management. Moreover, the Group will develop and improve various systems of cost and procurement to optimize supplier resources and compositions continuously. The Group will optimize cost control and strengthen dynamic cost management, thereby achieving an accurate cost control.

Steady Development of Commercial Properties

"Coordinated development of both residential and commercial properties" is one of the vital development strategies of the Group. The Group will continue to deepen the whole industry chain business model of "development + operations + securitization" to make sure that commercial properties play a "stabilizer" role in the development of the Group. On the one hand, by enhancing property operational capabilities, the Group will strengthen its control over the commercial properties for leasing, and optimize the project positioning and customer structure, so that the value in commercial property will be increased by continuous enhancement of the rental rate and the occupancy rate. On the other hand, the Group will strengthen its capabilities in planning and developing for commercial properties under development, speeding up the development of projects. At the same time, the Group will proactively explore asset-light management and operation model, thus developing commercial properties business into an important "stabilizer" and core competitive capacity of the Group.

Ensuring Financial Prudence and Security

Facing the external economic fluctuations and risks in liquidity, interest rate and foreign exchange rate arising from uncertainties of environment factors, the Group will continue to accelerate the pace of sales and collection of sales proceeds. Moreover, the Group will make full use of all kinds of financial instruments including the extensive use of onshore and offshore financing channels to continuously optimize the capital management, reduce the financing costs and optimize the liability structure, thereby managing exchange rate risk. At the same time, the Group shall further strengthen the function of risk control, improve the financial risk monitoring system, and enhance the risk alert and prevention.

Steadily Develop New Businesses

The Group will steadily advance the new businesses. Concerning the elderly-care business, the overall operation level will need to be improved. For the operated projects, the Group will focus on enhancing the services quality and customer satisfaction, optimizing the standardized operating system of the elderly-care business and striving to improve operational efficiency. Meanwhile, the Group will actively develop new projects, integrate premium domestic and foreign resources of medicine and elderly care, and create a model of combining medical care and elderly care through multi-ways and multi-levels. Concerning the long-term leasing business, the Group will speed up the leasing business through multi-platforms, multi-channels and multi-ways, focus on advancing the SOE-owned stock projects cooperation and asset-light strategy, and cultivate the core operating ability. Regarding the "Properties+" business, the Group will strengthen collaboration with the state-owned enterprises and scientific research institutions, steadily promote businesses such as "+ industries", "+ towns", and integrate premium educational resources of the Greater Bay Area to accelerate the business development of "+ education".

II. The Acquisitions

The Purchaser has entered into the Transaction Documents on 10 September 2019. Pursuant to the Transaction Documents, the Purchaser has conditionally agreed to acquire the 51% Equity and Loan Interests. Background and details of the Acquisitions are set out in the section headed "The Transaction Documents" in the Letter included in the Circular.

Basis of determination of consideration for the Luogang Acquisition and the Chen Tougang Acquisition

The consideration for the entire equity interests in the Target Holding Companies (which in turn hold the respective 51% equity interests in the Target Companies) to be acquired by the Purchaser was determined based on the respective Appraised Values of the net assets of the Target Holding Companies as at 30 June 2019, being approximately RMB71,642,000 and RMB56,403,000 respectively, as determined by the Independent Valuer.

As the sole asset held by each Target Holding Company (other than cash and cash equivalents) is its 51% equity interest in the relevant Target Company, the Independent Valuer determined the Appraised Value of the net assets of each Target Holding Company as at 30 June 2019 by (among other things) valuing its interest in the relevant Target Company at 51% of the Appraised Value of the net assets of the relevant Target Company as at 30 June 2019 and taking into account the liabilities of the Target Holding Company as at 30 June 2019 (which mainly comprised of shareholder's loans advanced by GZYX together with interest accrued up to 30 June 2019). In determining the Appraised Value of the net assets of each Target Company as at 30 June 2019, the Independent Valuer took into account (among other things) (a) the relevant Project Valuation and the deferred tax liabilities associated with the potential fair value gain of the relevant New Metro Property Project; and (b) the liabilities of the relevant Target Company as at 30 June 2019 (which mainly comprised of loans advanced by GZYX and Guangzhou Metro together with interest accrued up to 30 June 2019).

For illustrative purpose, assuming completion of the Acquisitions takes place on 15 November 2019 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser for the Acquisitions would be approximately RMB8,910,951,018 (comprising approximately RMB4,881,353,609 for the Luogang Acquisition and approximately RMB4,029,597,409 for the Chen Tougang Acquisition, respectively).

As disclosed in the Option Announcement, pursuant to the YXP Option Deeds, the exercise price of each of the YXP Options shall be the higher of: (1) GZYX's original cost of acquisition (inclusive of any further funding provided by GZYX to the relevant Target Company) plus interest accrued in each case and other incidental costs (and after making fair and reasonable adjustments taking into account the deal structure) (the "**Total Contribution Approach**"); and (2) the value of the interests to be transferred as determined based on the valuation report prepared by an independent professional valuer to be agreed by GZYX and the Company (the "**Appraised Value Approach**"). For the current exercise of the YXP Options, the Appraised Value Approach should prevail because it is expected that the Total Acquisition Amount (as determined and illustrated above assuming completion of the Acquisitions takes place on 15 November 2019) would be approximately equal to or marginally higher than an exercise price determined based on the Total Contribution Approach.

Evaluation of the Consideration

We have reviewed the valuation reports (the "**Valuation Reports**") prepared by the Independent Valuer on the Luogang Target Holding Company, the Chen Tougang Target Holding Company and the New Metro Property Projects as at 30 June 2019 (the "**Valuation Date**") as set out in Appendices VA, VB and VC to the Circular and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the valuation (the "**Valuation**") of the Luogang Target Holding Company, the Chen Tougang Target Holding Company and the New Metro Property Projects.

The valuation of the Target Holding Companies was carried out on a market value basis. The valuation of the net asset value ("**NAV**") of the Target Holding Companies has been prepared in accordance with the International Valuation Standards on business valuation published by International Valuation Standards Council, which sets out guideline on the basis and valuation approaches used in business valuation.

It is noted that the valuation of the NAV of the Target Holding Companies was prepared based on the management accounts of the Target Companies and the audited accounts of the Target Holding Companies as at 30 June 2019 respectively. According to the management accounts of the Target Companies, apart from the New Metro Property Projects, (i) other assets of the Target Companies comprise cash and cash equivalents, other receivable and deferred tax assets; and (ii) the liabilities of the Target Companies comprise other payable and accrued expenses, amount due to the ultimate holding company and amounts due to a non controlling interest. According to the audited accounts of the Target Holding Companies, apart from the interest in the Target Companies, (i) other assets of the Target Holding Companies comprise cash and cash equivalents; and (ii) the liabilities of the Target Holding Companies comprise amount due to the ultimate holding company. The Independent Valuer considered that save for the New Metro Property Projects, other assets and liabilities of Target Companies and Target Holding Companies are liquid items and the amounts as disclosed in their respective accounts have reflected their respective market value and separate valuation is not required.

Accordingly, the Independent Valuer has separately prepared a valuation of each of the New Metro Property Projects. In valuing the New Metro Property Projects, the Independent Valuer has complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; and (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Reports. The Independent Valuer has confirmed that it is independent to the Group and GZYX. From the engagement letter, we noted that there were no limitations on the scope of work for conducting the Valuation and the scope of work is appropriate to the opinion given. The Independent Valuer carried out a site visit and inspected the New Metro Property Projects in July 2019, and has been provided with copies of documents in relation to the title of the property interests as well as floor plan of the New Metro Property Projects. From the qualification and experience of core members in charge of the Valuation set out in the Valuation Reports, we noted that (i) Mr. Eddie T. W. Yiu, the person who led the Valuation of the New Metro Property Projects, is a Chartered Surveyor who has over 25 years' of experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region; and (ii) Simon M.K. Chan, the person who led the Valuation of the Target Holding Companies and Target Companies, is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia, an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore) who has over 20 years' of experience in valuation and corporate advisory business for listed and private companies in different industries in Mainland China and Hong Kong. Having considered the above, we consider that the scope of work of the Independent Valuer under the terms of engagement is appropriate and the Independent Valuer possesses sufficient relevant experience in performing the Valuation.

The Luogang Project comprises a portion of land which is under construction ("**Group I Property**") and another portion of land which is pending for future development ("**Group II Property**"). The Chen Tougang Project comprises a land parcel which is pending for future development ("**Group III Property**").

For valuation of the Group I Property, the Independent Valuer has adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

For valuation of Group II Property and Group III Property, as they are pending for future development, the Independent Valuer has conducted the valuation by the comparison approach assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market.

The Independent Valuer has identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the New Metro Property Projects. For Luogang Project, the selected comparables are residential land in Guangzhou City which were transacted in 2018. The accommodation value of those comparable land sites ranges from RMB14,000 to RMB17,000 per sq.m.. For Chen Tougang Project, the selected comparables are mixed use land or residential land in Guangzhou City which were transacted between 2017 to 2019. The accommodation value of those comparable land sites ranges from RMB16,000 to RMB22,000 per sq.m..

We have reviewed the transactions identified by the Independent Valuer for the market comparison approach and noted that the Independent Valuer has selected three comparable transactions for each of the New Metro Property Projects which are exhaustive as confirmed by the Independent Valuer. A summary of comparable properties selected by the Independent Valuer is as follows:

Luogang Project

Property	Location	Date of transaction	Usage	Plot ratio accountable GFA *(m^2)*	Transaction price *(RMB per sq.m.)*
Comparable A	Huangpu District, Guangzhou	Dec 2018	Residential	221,075	15,673
Comparable B	Huangpu District, Guangzhou	Dec 2018	Residential	174,630	13,703
Comparable C	Huangpu District, Guangzhou	Oct 2018	Residential	67,254	16,859

Chen Tougang Project

Property	Location	Date of transaction	Usage	Plot ratio accountable GFA *(m^2)*	Transaction price *(RMB per sq.m.)*
Comparable A	Panyu District, Guangzhou	Nov 2017	Mixed use including residential	290,135	22,000
Comparable B	Panyu District, Guangzhou	Apr 2019	Residential	86,403	16,095
Comparable C	Panyu District, Guangzhou	Oct 2017	Mixed use including residential	381,425	17,238

Appropriate adjustments and analysis are considered to the differences in several aspects including time, location, usage (mixed use or residential only) and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like usage (mixed use or residential only), site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered. A market price of RMB14,726 per sq.m. and RMB12,488 per sq.m. was adopted by the Independent Valuer for valuation of the Luogang Project and Chen Tougang Project respectively, in terms of plot ratio accountable gross floor area (which is 605,472 m^2 in respect of the Luogang Project and 583,447 m^2 in terms of the Chen Tuogang Project). The valuation of New Metro Property Projects is computed as follows:

Group I Property

	Plot ratio accountable GFA *(m^2)*	**Adopted market price** *(RMB per sq.m.)*	**Valuation** *(RMB million)*
Land portion	2,000	14,726	29.5
Construction cost and relevant expenses incurred	NA	NA	2.5
Total			32

Group II Property

	Plot ratio accountable GFA *(m^2)*	**Adopted market price** *(RMB per sq.m.)*	**Valuation** *(RMB million)*
Land portion	605,472	14,726	8,887
Construction cost and relevant expenses incurred	NA	NA	13
Total			8,900

Group III Property

	Plot ratio accountable GFA *(m^2)*	**Adopted market price** *(RMB per sq.m.)*	**Valuation** *(RMB million)*
Land portion	583,447	12,488	7,286
Construction cost and relevant expenses incurred	NA	NA	1,392
Total			8,678

Based on the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Independent Valuer for valuation of the New Metro Property Projects as discussed above are reasonable.

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

Assets	**Valuation Approach & Methodology**
Deferred tax assets; Other receivables; Cash and cash equivalents	Based on values in management report.
Property, plant and equipment; Properties under development (Current and Non-current)	Based on the Valuation Report of the Luogang Project/Chen Tougang Project (where appropriate) issued by the Independent Valuer.
Long-term equity investments	Summation method is applied to valuation on net assets value. Summation method is to assess the equity value of a company based on the market values of the underlying assets of the entity less the value of any related liabilities.
Liabilities	**Valuation Approach & Methodology**
Other payables and accrued charges; Amount due to the ultimate holding company; Amounts due to a non controlling interest	Based on values in management report.
Deferred tax liability	Deferred tax liability is estimated based on increase in value from book value of the New Metro Property Projects under development to the appraised value. 25% tax rate is applied in this exercise.

The Independent Valuer considered that save for the New Metro Property Projects, other assets and liabilities of Target Companies as disclosed in its management accounts have reflected their respective market value and separate valuation is not required. It is noted that the provision for deferred tax liability is associated with the revaluation of the New Metro Property Projects. In view of the above, we considered the valuation approach and methodology for valuation of the NAV of the Target Companies are appropriate.

Based on the valuation report, the appraised NAV of the Luogang Target Company is approximately RMB1,261.3 million which is derived as follows:

	Market Value *(RMB)*
Total Assets	9,600,381,000
Deferred tax assets	47,870,000
Property, plant and equipment	
Properties under development (Current)	8,932,000,000
Properties under development (Non-current)	
Other receivables	177,000
Cash and cash equivalents	620,334,000
Total Liabilities	8,339,038,000
Other payables and accrued charges	13,099,000
Amount due to the ultimate holding company	4,113,227,000
Amounts due to a non controlling interest	3,951,927,000
Deferred tax liability	260,785,000
Net Assets	1,261,343,000
51% of Net Assets (rounded to thousand)	643,285,000

Based on the valuation report, the appraised NAV of the Chen Tougang Target Company is approximately RMB1,153.0 million which is derived as follows:

	Market Value *(RMB)*
Total Assets	9,438,935,000
Deferred tax assets	23,061,000
Property, plant and equipment	
Properties under development (Non-current)	8,678,000,000
Properties under development (Current)	
Other receivables	2,000
Cash and cash equivalents	737,872,000
Total Liabilities	8,285,894,000
Other payables and accrued charges	1,581,685,000
Amount due to the ultimate holding company	3,336,804,000
Amounts due to a non controlling interest	3,205,949,000
Deferred tax liability	161,456,000
Net Assets	1,153,041,000
51% of Net Assets (rounded to thousand)	588,051,000

For valuation of NAV of the Target Holding Companies, the Independent Valuer had considered the type of assets and liabilities of the Target Holding Company and their conditions when arriving at their market values.

The Independent Valuer considered that save for the equity interest in the Target Companies, other assets comprising cash and cash equivalents and liabilities comprising amounts due to related parties of Target Holding Companies as disclosed in its audited accounts have reflected their respective market value and separate valuation is not required. In view of the above, we considered the valuation approach and methodology for valuation of the NAV of the Target Holding Companies are appropriate.

Based on the valuation report, the appraised NAV of the Luogang Target Holding Company is approximately RMB71.6 million which is derived as follows:

	Market Value *(RMB)*
Total Assets	653,886,000
Long-term equity investments	643,285,000
Cash and cash equivalents	10,601,000
Total Liabilities	582,244,000
Amount due to the ultimate holding company	582,244,000
Net Assets	71,642,000

Based on the valuation report, the appraised NAV of the Chen Tougang Target Holding Company is approximately RMB56.4 million which is derived as follows:

	Market Value *(RMB)*
Total Assets	598,402,000
Long-term equity investments	588,051,000
Cash and cash equivalents	10,351,000
Total Liabilities	541,999,000
Amount due to the ultimate holding company	541,999,000
Net Assets	56,403,000

In view of the above, we consider that the Valuation Reports to be the appropriate source of information for the purpose of our assessment on the fairness and reasonableness of the Equity Transfer Considerations.

To further assess the fairness and reasonableness of the Equity Transfer Considerations, we had carried out, on a best effort basis, a comparable table on consideration paid by other listed issuers in property transaction using the following selection criteria: (i) acquisition of properties in Greater China by companies listed on the Stock Exchange in the past three months from 1 June 2019 to 10 September 2019 (being the date of the Announcement) ("**Property Transaction Research Period**") which constitute a notifiable transaction; and (ii) appraised value of the property(ies) by independent valuer as basis of determination of consideration set out in the circular. We have identified and made references to 8 comparable transactions ("**Comparable Property Transactions**") which meet the aforesaid criteria, and these Comparable Property Transactions are exhaustive and representative. We did not expand the Property Transaction Research Period to a longer course as we consider reasonable number of samples are identified and recent transactions are more relevant for consideration as they closely reflect market conditions and dynamics of the relevant property markets. Although the locations of the subject property of the Comparable Property Transactions are not identical to that of the New Metro Property Projects, given the Comparable Property Transactions and the New Metro Property Projects are exposed to similar market conditions and dynamics in the Greater China, we consider the Comparable Property Transactions could provide a general reference for acquisition of property in Greater China by listed issuers in Hong Kong and are comparable. Brief summary of relevant information of the Comparable Property Transactions are set out below:

No.	Company name (Stock code)	Date of circular	Transaction & location	Connected transaction (Yes/No)	Consideration *(HK$ million)*	Adjusted NAV/ valuation of property *(HK$ million)*	Premium/ discount of adjusted NAV/ valuation of property
1	Springland International Holdings Limited (1700)	30-Aug-19	Acquisition of a property project in Jiangsu	No	1,163	1,040.8	11.7%
2	Zhongchang International Holdings Group Limited (859)	29-Aug-19	Acquisition of a hotel in Guangdong	Yes	137	157	-12.6%
3	Winfair Investment Company Limited (287)	5-Aug-19	Acquisition of a property project in Hong Kong	No	410	412	-0.5%

No.	Company name (Stock code)	Date of circular	Transaction & location	Connected transaction (Yes/No)	Consideration *(HK$ million)*	Adjusted NAV/ valuation of property *(HK$ million)*	Premium/ discount of adjusted NAV/ valuation of property
4	Wang On Group Limited (1222)	26-Jul-19	Acquisition of a commercial property in Hong Kong	No	780	780	0.0%
5	C&D International Investment Group Limited (1908)	15-Jul-19	Acquisition of a residential property in Jiangsu	Yes	1,687	1,687	0.0%
6	Sunfonda Group Holdings Limited (1771)	28-Jun-19	Acquisition of land use rights of a commercial development project in Shanxi	No	181	181	0.0%
7	China City Infrastructure Group Limited (2349)	21-Jun-19	Acquisition of a residential property in Guangdong	No	795	800	-0.7%
8	PPS International (Holdings) Limited (8201)	17-Jun-19	Acquisition of a commercial property in Hong Kong	No	57	57	0.0%
	Luogang Equity Transfer Consideration				RMB71.6 million	RMB71.6 million	0%
	Chen Tougang Equity Transfer Consideration				RMB56.4 million	RMB56.4 million	0%
						Average discount	-0.3%
						Maximum discount	-12.6%
						Maximum premium	11.7%

As illustrated in the table above, the consideration over appraised value of property/adjusted NAV of property project company ranged from a discount of approximately 12.6% to a premium of approximately 11.7%. It is noted that the discount represented by the Equity Transfer Considerations to the appraised NAV of Target Holding Companies respectively is within the range of discount of Comparable Property Transactions.

Taking into account that the Equity Transfer Considerations is equivalent to the appraised NAV of the Target Holding Companies which falls within the range of the Comparable Property Transactions, we are of the view that the Equity Transfer Considerations are on normal commercial terms and fair and reasonable.

Interest rate of Loans

We noted that the assignment of the Loans is on a dollar-for-dollar basis, a summary of which is set out below:

	Principal amount *(RMB' million)*	**Interest rate**	**Accrued interest (assuming completion of the Acquisitions on 15 November 2019)** *(RMB' million)*	**Principal + accrued interest** *(RMB' million)*
Luogang Target Holdco Interest Bearing Loan	579.8	6.5%	16.3	596.1
Chen Tougang Target Holdco Interest Bearing Loan	540.3	6.5%	14.8	555.1
Luogang Target Holdco Non-Interest Bearing Loan	0.6	0%	–	0.6
Chen Tougang Target Holdco Non-Interest Bearing Loan	0.3	0%	–	0.3
Luogang Target 51% Interest Bearing Loan	4,005.1	6.5%	122.2	4,127.3
Chen Tougang Target 51% Interest Bearing Loan	3,248.0	6.5%	99.1	3,347.1
Luogang Target Non-Interest Bearing Loan	85.7	0%	–	85.7
Chen Tougang Target Non-Interest Bearing Loan	70.6	0%	–	70.6

We are advised by the management of GZYX that the interest rate of the Loans of 6.5% was determined between GZYX and Guangzhou Metro after arm's length negotiation taking into account the market interest rate and their respective borrowing cost. The management of GZYX confirmed to us that all of the borrowing cost of GZYX from commercial banks falls within the range from 3.915% to 6.7% for years 2017 to 2019. We have selected and reviewed two loan agreements of GZYX ("**GZYX Loan Agreements**") entered into with commercial banks in 2017 to 2019 with the lowest and highest interest rate respectively and noted that the borrowing rate is 3.915% and 6.7% respectively as provided by the management of GZYX. Despite (i) the GZYX Loan Agreements are not exhaustive; and (ii) the principal amount, loan periods and nature of the reviewed loan agreements are different from those of the Loans, the GZYX Loan Agreements could provide a general reference for the range of borrowing cost of GZYX from commercial banks.

Given (i) the interest rate of the Loans was determined between GZYX and Guangzhou Metro after arm's length negotiation; (ii) the interest rate of 6.5% of the Loans is paid to settle the borrowing cost of GZYX for its investment in the New Metro Property Projects and is within the range of borrowing rate of GZYX; and (iii) the Acquisitions is in line with the Company's strategy of "Railway + Property" and will increase the high-quality land reserves of the Group, we consider that the borrowing cost of GZYX from commercial banks is a fair and reasonable basis for the assessment of the interest rate of the Loans and the assignment of the Loans at 6.5% is fair and reasonable to the Company and the Independent Shareholders as a whole.

Board composition and reserved matters

Pursuant to the Luogang Cooperative Development Agreement, the Luogang Target Company has a total of nine directors, three of whom shall be appointed by Guangzhou Metro, five of whom shall be appointed by the Luogang Target Holding Company and one of whom shall be appointed by Science City.

Pursuant to the Chen Tougang Cooperative Development Agreement, the Chen Tougang Target Company has a total of five directors, two of whom shall be appointed by Guangzhou Metro and three of whom shall be appointed by the Chen Tougang Target Holding Company.

Pursuant to the Luogang Cooperative Development Agreement and the Chen Tougang Cooperative Development Agreement, all matters requiring board approval are subject to simple majority vote other than certain reserve matters such as (among others) increase or reduction of the registered capital, any merger, change in company form or liquidation and amendment of articles, which are subject to the approval of more than two-thirds of the directors of the relevant Target Company.

Given the Group has the right to nominate 5 out of 9 board members of the Luogang Target Company and 3 out of 5 board members of the Chen Tougang Target Company respectively upon completion of the Acquisitions, we consider this board nomination arrangement is fair and reasonable.

Further Funding

In the event that additional funding is required for the development and construction of any New Metro Property Project, the relevant Target Company shall first seek external financing. In the event any Target Company does not have sufficient assets to secure its obligations under the external financing, subject to compliance with the respective internal approval procedures of the shareholders of the relevant Target Company and subject to the approval of the shareholders of the relevant Target Company, such shareholders shall provide security or guarantee pro-rata to their then respective equity holdings in the relevant Target Company.

In the event that external financing is insufficient to meet the capital required for the development and construction of the relevant New Metro Property Project, the shareholders of the relevant Target Company shall, subject to compliance with their respective internal approval procedures, provide additional shareholders' loans to the relevant Target Company pro-rata to their then respective equity holdings in the relevant Target Company to ensure normal operation of the relevant Target Company and the development of the relevant New Metro Property Project.

Given additional shareholders' loans or security or guarantee to the Target Companies is on pro rata basis according to their then respective equity holdings in the Target Companies, we consider this further funding arrangement is fair and reasonable.

III. Financial Information of the Target Holding Companies

The Luogang Target Holding Company

The audited consolidated financial information of the Luogang Target Holding Company prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants is as follows:

	From 27 November 2018 (being the date of incorporation of the Luogang Target Holding Company) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
Revenue	–	–
Net loss before taxation	–	(6,787)
Net profit after taxation	–	2,056

The audited consolidated total assets and the audited consolidated net asset value of the Luogang Target Holding Company as at 30 June 2019 were RMB9,441,317,000 and RMB598,353,000, respectively as stated in the audited consolidated accounts of the Luogang Target Holding Company for the six months ended 30 June 2019.

The Chen Tougang Target Holding Company

The audited consolidated financial information of the Chen Tougang Target Holding Company prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants is as follows:

	From 27 November 2018 (date of incorporation of the Chen Tougang Target Holding Company) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
Revenue	–	–
Net profit before taxation	–	6,641
Net profit after taxation	–	11,362

The audited consolidated total assets and the audited consolidated net asset value of the Chen Tougang Target Holding Company as at 30 June 2019 were RMB9,352,759,000 and RMB566,293,000, respectively, as stated in the audited consolidated accounts of the Chen Tougang Target Holding Company for the six months ended 30 June 2019.

IV. Information of the Parties to the Acquisitions and the New Metro Property Projects

The Company

The Company is principally engaged in property development and investment, focusing on property development in the Guangdong-Hong Kong-Macau Greater Bay Area, Eastern Region, Central Region and Northern Region.

The Luogang Target Holding Company

The Luogang Target Holding Company is currently an investment holding company whose sole asset (other than cash or cash equivalents) is a 51% equity interest in the Luogang Target Company. It was principally engaged in the management and operation of properties and provision of property and investment consulting services.

The Luogang Target Company

The Luogang Target Company is principally engaged in property development and management, including the development of Pinxiu Xingyue (品秀星樾) located at east of Lihong One Road, south of Kaichuang Avenue, west of Kaiyuan Avenue and north of Banhe Road, Huangpu District, Guangzhou. It is also the sole registered owner of the Luogang Project.

The Chen Tougang Target Holding Company

The Chen Tougang Target Holding Company is currently an investment holding company whose sole asset (other than cash or cash equivalents) is a 51% equity interest in the Chen Tougang Target Company. It was principally engaged in the development and operation of properties and provision of corporate management services.

The Chen Tougang Target Company

The Chen Tougang Target Company is principally engaged in property development and management, including the development of Pinxiu Xinghan (品秀星瀚) located at the southwest of Dongxiao South Road and Dongxin Expressway, Panyu District, Guangzhou. It is also the sole registered owner of the Chen Tougang Project.

Easyway

Easyway is an investment holding company which is wholly-owned by GZYX.

The Purchaser

The Purchaser is an investment holding company.

GZYX

GZYX is beneficially wholly-owned by the Guangzhou Municipal People's Government of the PRC. GZYX, through its various subsidiaries, engages in various businesses including (among others) financial business, property development, infrastructure and construction.

Science City

Science City is principally engaged in the provision of services in construction and infrastructure. Science City is an Independent Third Party.

The New Metro Property Projects

(i) The Luogang Project

The Luogang project (the "**Luogang Project**") is located at east of Lihong One Road, south of Kaichuang Avenue, west of Kaiyuan Avenue and north of Banhe Road, Huangpu District, Guangzhou, Guangdong Province. The Luogang Project is adjacent to the Xiangxue Station of the No. 6 subway line, which is only 600 metres away, and is directly connected to the station by an underpass. The Company understands that this is the only sizeable parcel of land in the core area of Huangpu District (with a site area of 282,931 m^2., a plot ratio accountable gross floor area of 605,472 m^2 and a gross floor area of 935,795 m^2) on which a mixed-use property complex comprising residential buildings and educational facilities can be developed. The construction of the Luogang Project to expected to complete in June 2023.

A summary of gross floor area of the Luogang Project is set out as follows:

Group	**Usage**	**Gross Floor Area** *(sq.m.)*	**Number of car parking space**
Group I – held under development	Public library	2,000	
	Sub-total:	2,000	
Group II – held for future development	Residential	528,372	
	Retail	12,634	
	Ancillary	103,006	
	Basement	289,783	6,480
	Sub-total:	933,795	6,480
	Total:	935,795	6,480

(ii) The Chen Tougang Project

The Chen Tougang project (the "**Chen Tougang Project**") is located at the southwest of Dongxiao South Road and Dongxin Expressway, Panyu District, Guangzhou, Guangdong Province., which is east of Chen Tougang Station on the No. 22 subway line. The Chen Tougang Project is a rare residential-only property development project of such a large size (with a site area of 242,094 m^2 and a plot ratio accountable gross floor area of 583,447 m^2 and a gross floor area of 876,741 m^2) in the Panyu District. The No. 22 subway line is expected to commence operation in 2020, which is expected to correspond with the Chen Tougang Project's sales period and in turn help to increase the value of the project. The construction of the Chen Tougang Project is expected to complete in October 2023.

A summary of gross floor area of the Chen Tougang Project is set out as follows:

Group	Usage	Gross Floor Area *(sq.m.)*	Number of car parking space
Group III – held for future development	Residential	525,287	
	Retail	17,346	
	Ancillary	70,227	
	Basement (inclusive of car parking spaces)	263,881	3,718
	Total:	876,741	3,718

V. Reasons for and Benefits of the Acquisitions

The Board is of the view that acquiring a 51% interest in the New Metro Property Projects in Guangzhou represents an important step to forging the Company's strategic co-operation with Guangzhou Metro and to pursuing its business strategy of "Railway + Property". Upon completion of the Acquisitions, the gross floor area of the Group's metro related projects will increase to approximately 3.2 million m^2, representing approximately 14.9% of the current total land bank of the Group and approximately 36.3% of its land bank in first tier cities, in each case as at the Latest Practicable Date.

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

VI. Possible Financial Effect of the Acquisitions on the Group

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

(i) Earnings

The Group recorded a net profit of approximately RMB3,039.5 million for the year ended 31 December 2018. Given the New Metro Property Projects has been under the development stage, the Company expects that the New Metro Property Projects would not have a significant impact on the earnings of the Group in the short run. The Company expects that the New Metro Property Projects would contribute positively to the Group's financial performance upon pre-sale and delivery of the properties of the New Metro Property Projects to customers.

(ii) Net assets

Net assets attributable to the owners of the Company and net assets attributable to the owners of the Company per Share as at 30 June 2019 was approximately RMB39,954.6 million and RMB2.58 per Share (based on the 15,482,280,438 Shares in issue as at the Latest Practicable Date). As disclosed in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to the Circular, assuming the Acquisitions had been completed on 30 June 2019, the net assets of the Enlarged Group as at 30 June 2019 would have been increased by approximately RMB1,163.0 million to RMB53,782.0 million. Such increase in net assets was mainly resulted from the increase in properties under development netting of the decrease in cash and cash equivalent as a result of the Acquisitions.

(iii) Gearing

As at 30 June 2019, the Group's net gearing ratio, being total interest-bearing bank borrowings divided by total assets, was approximately 31.2%. Based on the pro forma financial information as set out in Appendix IV to the Circular, assuming the Acquisitions had been completed on 30 June 2019, the Enlarged Group's pro forma gearing ratio would decrease to approximately 29.8% as the Target Holding Companies had no interest-bearing bank borrowings while the total assets of Enlarged Group would increase by approximately RMB10,267.0 million as a result of consolidation of the Target Holding Companies into the Group.

(iv) Liquidity

As at 30 June 2019, the net current assets of the Group were approximately RMB77,935.0 million.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming completion of the Acquisitions had taken place on 30 June 2019, the pro forma net current assets the Enlarged Group would have been decreased to approximately RMB70,912.8 million mainly due to decrease in cash of RMB7,343.2 million as a result of the Acquisitions.

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 Acquisitions.

RECOMMENDATION

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

(i) the Acquisitions is in line with the Company's business strategy of "Railway + Property" and will increase the high-quality land reserves of the Group;

(ii) the Equity Transfer Considerations is equivalent to the appraised NAV of the Target Holding Companies, the discount of which is within the range of the Comparable Property Transactions;

(iii) the assignment of the Loans is on a dollar-for-dollar basis and the interest rate of 6.5% of the Loans will be paid to cover the capital cost of GZYX for its investment in the New Metro Property Projects; and

(iv) although the pro forma net current assets would decrease assuming completion of the Acquisitions had taken place on 30 June 2019, the New Metro Property Projects are expected to contribute positively to the financial performance of the Enlarged Group in the long run,

we concur with the Directors that the terms of the Acquisitions are fair and reasonable and on normal commercial terms and in the interest of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions at the GM to approve the Acquisitions.

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.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2016 and 2017 and 2018, the unaudited consolidated financial information of the Group for the six months ended 30 June 2019, and the audited consolidated financial statements of companies acquired since 31 December 2019 (being the date of the last published audited accounts of the Group) in respect of which an accountants' report has already been submitted to Shareholders for the period from the date of incorporation of the relevant company to 31 December 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.yuexiuproperty.com/):

- Annual report for the year ended 31 December 2016 (pages 87 to 169): http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN20170426238.pdf
- Annual report for the year ended 31 December 2017 (pages 86 to 172): http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0404/LTN20180404003.pdf
- Annual report for the year ended 31 December 2018 (pages 89 to 190): https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418666.pdf
- Interim results announcement for the six months ended 30 June 2019 (pages 3 to 41): https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0813/ltn20190813203.pdf
- The circular of the Company dated 18 March 2019 in relation to the GH Subscription and GH Acquisitions (in each case as defined in Appendix VI to this circular) (pages IIA-1 to IIB-24): https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0318/ltn20190318043.pdf

Summary of financial information of the Group

The following is a summary of the financial results of the Group for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2019 as extracted from the relevant annual reports and interim results announcement of the Company:

	Financial year ended 31 December 2016	**Financial year ended 31 December 2017**	**Financial year ended 31 December 2018**	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	20,871,021	23,793,908	26,433,444	21,788,127
Profit before taxation	3,363,461	4,785,410	6,783,402	6,233,504
Profit attributable to equity holders of the Company	1,540,154	2,260,242	2,727,885	1,870,140
Profit attributable to non-controlling interests	186,722	71,404	311,608	888,978
Taxation	1,636,585	2,453,764	3,743,909	3,474,386
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share, basic and diluted)	0.1242	0.1823	0.2200	0.1393

The auditor of the Company for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2019 was PricewaterhouseCoopers. The audit opinions of PricewaterhouseCoopers in respect of the years ended 31 December 2016, 2017 and 2018 were not qualified and there were no modified opinions nor emphasis of matter or material uncertainty related to going concern contained in the auditor's report of PricewaterhouseCoopers in respect of the above years. The condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 has been reviewed by PricewaterhouseCoopers.

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

Borrowings

At the close of business on 2 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings, bank overdraft and lease liabilities of approximately RMB67.51 billion, comprising: (1) secured bank borrowings and other borrowings of approximately RMB17.16 billion; (2) unsecured bank borrowings of approximately RMB16.06 billion; (3) unsecured other borrowings and overdraft of approximately RMB33.92 billion; and (4) unsecured lease liabilities of approximately RMB0.37 billion.

The bank and other borrowings are secured by certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment and land use rights.

Contingent Liabilities

As at 2 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following material contingent liabilities:

(1) the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be liable for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group will be entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As at 2 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total contingent liabilities relating to these guarantees amounted to approximately RMB11.62 billion.

(2) certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB2.14 billion in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1.50 billion was utilised and guarantee of approximately RMB0.64 billion was not utilised yet.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 2 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group did not have any other debt securities, any outstanding loan capital, any borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 2 August 2019 up to and including the Latest Practicable Date.

3. MATERIAL CHANGE

Save for the Luogang Acquisition and Chen Tougang Acquisition, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 30 June 2019, being the date on which the consolidated financial information of the Company were made up and disclosed in the interim results announcement for the six months ended 30 June 2019, and up to and including the Latest Practicable Date.

4. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account of the Enlarged Group's internal resources, cash flow from operations and the present facilities available, the Enlarged Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

5. RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Looking forward to the second half of 2019, the global economy will still face many risk factors such as the China-US trade conflicts, British hard Brexit and geopolitical risks that will pose enormous uncertainties to the growth in the global economy. Therefore, it is expected that the development of the global economy will slow down. Meanwhile, in response to the slow-down in the global economy and support for economic growth, major developed economies and developing economies will adopt looser policies, and also the Federal Reserve has cut interest rates, which will be conducive to the stabilization and recovery of the global economy in the second half of the year. China's economy as well will face a number of external environmental challenges. In particular, the prospect of China-US trade conflicts will bring certain uncertainties to China's economic growth. Thus macroeconomy will face more significant downward pressure in the second half of the year. However, in response to the uncertainties from the external factors of the country's economic growth, the Chinese government is expected to continue to increase its supporting macroeconomic growth and continue to implement a proactive fiscal policy and a moderately prudent monetary policy. Besides, it will continue to deepen supply-side reforms and strengthen drive from innovation to accelerate the upgrading of industries and consumption structure. As Chinese market is enormous with huge potential for industrial upgrading, the country will speed up the pace of reform and opening up continuously. With the support of the policy "Six Stabilities" and favorable measures, China's macroeconomy is expected to maintain a steady growth trend as a whole in the second half of 2019.

In 2019, as an essential pillar of the national economy, the real estate industry is expected to remain stable as a whole. The control policies on the property market will continue to remain stable, adhering to the keynote of "housing for living in rather than for speculation", focusing on city-specific policies and categorized control, speeding up the long-term mechanism of the property market, and ensuring the steady and healthy development of the real estate industry. The property market is expected to remain stable in general supply and the space for price increases will be limited with continuous market differentiation. The market development of the tier-1 and key tier-2 cities will be steady, while the market demand in tier-3 and tier-4 cities is relatively weak. Therefore, the downward pressure is relatively high. However, firsthome buyers and upgraders will still dominate the overall market demand. On the one hand, the government will implement the categorized control over "city-specific policies" for the land market of different cities, continue to increase the supply of land in overheating cities to lower the premium of land and control housing prices. On the other hand, the government will stabilize housing prices in falling property markets by reducing land supply and optimizing land structure. Supply of credit fund will remain moderate in general in response to the economic downturn. The financing environment of property developers will be steady and tight, and the government will strengthen the supervision of real estate financing to control the industry risks effectively.

The following is the text of a report set out on pages IIA-1 to IIA-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUEXIU PROPERTY COMPANY LIMITED

Introduction

We report on the historical financial information of Guangzhou Dongyue Industrial Development Company Limited. (the "Luogang Target Holding Company") and its subsidiary (together, the "Luogang Target Group") set out on pages IIA-4 to IIA-35, which comprises the consolidated and company balance sheets as at 31 December 2018 and 30 June 2019 and the consolidated statements of comprehensive income, the statements of changes in equity and the statements of cash flows from 27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018 and for the six months ended 30 June 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-35 forms an integral part of this report, which has been prepared for inclusion in the circular of Yuexiu Property Company Limited (the "Company") dated 27 September 2019 in connection with the proposed acquisition of the Luogang Target Holding Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Luogang Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of the Luogang Target Holding Company and its subsidiary now comprising the Luogang Target

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Group for the Track Record Period. The directors of the respective companies now comprising the Luogang Target Group are responsible for the preparation of the management accounts of the Luogang Target Holding Company and its subsidiary now comprising the Luogang Target Group in accordance with the relevant accounting principles generally accepted in their places of incorporation, and for such internal control as the respective directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Luogang Target Holding Company as at 31 December 2018 and 30 June 2019, the consolidated financial position of the Luogang Target Group as at 31 December 2018 and 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
27 September 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE LUOGANG TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018 *RMB'000*	Six months ended 30 June 2019 *RMB'000*
Bargain purchase on business combination	*8*	—	30,457
Operating profit		—	30,457
Finance income	*5*	—	19
Finance costs	*6*	—	(37,263)
Loss before taxation		—	(6,787)
Taxation	*7*	—	8,843
Profit and total comprehensive income for the period		—	2,056
Attributable to:			
– Equity holders of the Luogang Target Holding Company		—	15,055
– Non controlling interests		—	(12,999)
		—	2,056

(B) CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2018 RMB'000	As at 30 June 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	—	1,718,840
Properties under development	11	—	2,456,732
		—	4,175,572
Current assets			
Properties under development	11	—	4,634,633
Other receivables		—	177
Cash and cash equivalents	12	—	630,935
		—	5,265,745
Total assets		—	9,441,317
LIABILITIES			
Current liabilities			
Other payables and accrued charges	13	—	13,099
Amount due to ultimate holding company	18(c)	—	4,695,471
Amounts due to non-controlling interests	14	—	3,951,927
		—	8,660,497
Non-current liabilities			
Deferred tax liabilities	15	—	182,467
Total liabilities		—	8,842,964

	Note	As at 31 December 2018 RMB'000	As at 30 June 2019 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Luogang Target Holding Company			
Share capital	*16*	—	10,000
Retained earnings		—	15,055
		—	25,055
Non-controlling interests		—	573,298
Total equity		—	598,353
Total equity and liabilities		—	9,441,317
Net current liabilities		—	(3,394,752)
Total assets less current liabilities		—	780,820

(C) BALANCE SHEETS OF THE LUOGANG TARGET HOLDING COMPANY

	Note	As at 31 December 2018 RMB'000	As at 30 June 2019 RMB'000
ASSETS			
Non-current asset			
Interest in a subsidiary	9	—	579,771
Current assets			
Cash and cash equivalents	12	—	10,601
Total assets		—	590,372
LIABILITIES			
Current liabilities			
Amount due to ultimate holding company	18(c)	—	582,244
EQUITY			
Share capital	16	—	10,000
Accumulated losses		—	(1,872)
Total equity		—	8,128
Total equity and liabilities		—	590,372
Net current liabilities		—	(571,643)
Total assets less current liabilities		—	8,128

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018 *RMB'000*	Six months ended 30 June 2019 *RMB'000*
Operating profit	—	30,457
Adjustments for:		
Bargain purchase on business combination	—	(30,457)
Operating cash flows before movements in working capital	—	—
Increase in other receivables	—	(67)
Increase in properties under development	—	(11,628)
Decrease in other payables and accrued charges	—	9,581
Net cash used in operations	—	(2,114)
Interest received	—	19
Net cash used in operating activities	—	(2,095)
Investing activities		
Acquisition of a subsidiary, net cash paid *(Note 8)*	—	(343,213)
Cash used in investing activities	—	(343,213)
Financing activities		
Capital contribution from immediate holding company	—	10,000
Capital contribution from non-controlling interests	—	300,174
Advance from ultimate holding company	—	666,069
Cash generated from financing activities	—	976,243
Increase in cash and cash equivalents	—	630,935
Cash and cash equivalents at the beginning of the period	—	—
Cash and cash equivalents at the end of the period	—	630,935

(E) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Luogang Target Holding Company				
	Share Capital *(Note 16)* *RMB'000*	**Retained earnings** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Balance at 27 November 2018, 31 December 2018 and 1 January 2019	—	—	—	—	—
Profit/(loss) and total comprehensive income/(loss) for the period	—	15,055	15,055	(12,999)	2,056
Total comprehensive income/(loss) for the period	—	15,055	15,055	(12,999)	2,056
Transactions with owners					
Capital injection	10,000	—	10,000	300,174	310,174
Non-controlling interests of a newly acquired subsidiary *(Note 8)*	—	—	—	286,123	286,123
Total transactions with owners	10,000	—	10,000	586,297	596,297
Balance at 30 June 2019	10,000	15,055	25,055	573,298	598,353

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Guangzhou Dongyue Industrial Development Company Limited (the "Luogang Target Holding Company") was incorporated in the People's Republic of China (the "PRC") on 27 November 2018. The address of its registered office is Room 6401, No. 5, Zhujiang West Road, Guangzhou, PRC.

The Luogang Target Holding Company is an investment holding company and is wholly owned by Easyway Incorporation Limited ("Easyway"). The ultimate holding company of the Luogang Target Holding Company is Guangzhou Yue Xiu Holdings Limited ("GZYX").

On 30 May 2019, the Luogang Target Holding Company acquired 51% equity interest in Guangzhou Pinyue Property Development Company Limited (the "Luogang Target Company") from Guangzhou Metro Group Co., Ltd. ("Guangzhou Metro"). As the majority of the directors are appointed by the Luogang Target Holding Company and the resolutions of the board of directors are passed by simple majority, the Luogang Target Company became a direct non wholly-owned subsidiary of the Luogang Target Holding Company. On the same day, Science City (Guangzhou) Investment Group Limited ("Science City"), an independent third party, acquired 9% equity interest in the Luogang Target Company from Guangzhou Metro, and became the non-controlling interest of the Luogang Target Company.

The Luogang Target Company is principally engaged in development, selling and management of properties in Luogang, Guangzhou, the PRC. The Luogang Target Holding Company and its subsidiary, the Luogang Target Company, are collectively regarded as the Luogang Target Group.

On 10 September 2019, Guangzhou City Construction & Development Group Nansha Co., Ltd. (the "Purchaser"), an indirect non wholly-owned subsidiary of Yuexiu Property Company Limited (the "Company"), entered into an equity transfer agreement with Easyway, the intermediate holding company of the Luogang Target Holding Company, pursuant to which the Purchaser agreed to purchase 100% equity interest in the Luogang Target Holding Company, which in turn owns 51% equity interest in the Luogang Target Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

2.1 Incomparability of the Historical Financial Information

As the Luogang Target Holding Company was incorporated on 27 November 2018, the financial information in the financial period of 2018 covered a period of less than two months from 27 November 2018 to 31 December 2018 while the financial period of 2019 covered a period of six months. As a result, the financial information of 2018 is incomparable with that of 2019.

2.2 Basis of preparation

The Historical Financial Information of the Luogang Target Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The Historical Financial Information has been prepared under the historical cost convention.

2.2.1 Going concern

As at 30 June 2019, the Luogang Target Group's and Luogang Target Holding Company's net current liabilities amounted to approximately RMB3,395 million and approximately RMB572 million, respectively, which included significant amounts due to ultimate holding company and a non-controlling interest. Except for an amount due to ultimate holding company of approximately RMB582 million, which is repayable on demand, the remaining balances are repayable within one year and therefore they are classified as current liabilities as at 30 June 2019. The directors aim to raise fund from long-term bank borrowings with pledge of the land bank in order to improve the liquidity of the Luogang Target Group. In addition, GZYX, the ultimate holding company of the Luogang Target Group, confirmed to provide financial support for the continuing operations of Luogang Target Group and Luogang Target Holding Company so as to enable them to meet their liabilities as they fall due and carry on their business without a significant curtailment of operations in the twelve months from 30 June 2019. As a result, the directors consider that it is appropriate for the Luogang Target Group and Luogang Holding Company to adopt the going concern basis in preparing the Historical Financial Information as at 30 June 2019.

2.2.2 Changes in accounting policies and disclosures

New standards and amendments to existing standards that have been issued but are not effective as at 30 June 2019 and have not been early adopted by the Luogang Target Group:

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
HKFRS 17	Insurance Contracts	1 January 2021

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing the Historical Financial Information. According to the preliminary assessment made by the directors of the Luogang Target Holding Company, no significant impact on the financial performance and position of the Luogang Target Holding Company is expected when they become effective.

2.3 Principles of consolidation

Subsidiary

A subsidiary is an entity (including a structured entity) over which the Luogang Target Group has control. The Luogang Target Group controls an entity when the Luogang Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are combined from the date on which control is transferred to the Luogang Target Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Luogang Target Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Luogang Target Holding Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Luogang Target Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Luogang Target Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Land use right	Lease term
Buildings	Remaining lease term of the land use right start from the completion of construction

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Please refer to Note 2.7 for detailed accounting policy of leases.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. They are included in profit or loss.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2.7 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Luogang Target Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Cash payments for the principal portion and interests of the lease liability are classified within financing activities. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability, but remain presented within operating activity.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments in financial assets

(i) Classification

The Luogang Target Group classifies its financial assets in the following measurement categories

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Luogang Target Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Luogang Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Luogang Target Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Luogang Target Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Luogang Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iv) Impairment

The Luogang Target Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheets where the Luogang Target Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Luogang Target Group or the counterparty.

2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. The cost of properties under development comprises land use rights, development and construction expenditure, borrowings costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

Properties under development are classified as current assets unless the construction of the relevant property development projects is expected to complete beyond normal operating cycle.

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with bank.

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Luogang Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowings costs

General and specific Borrowings costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowings costs eligible for capitalisation.

Other borrowings costs are recognised in profit or loss in the period in which they are incurred.

2.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of income tax, from the proceeds.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Luogang Target Group generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Luogang Target Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Luogang Target Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk and liquidity risk. During the Track Record Period, the market risk and credit risk did not have significant impact on the Luogang Target Group, considering its financial assets or liabilities are denominated in RMB and there were limited other receivables, no long-term borrowing and no derivative financial instruments on book. In addition, to manage credit risk of cash at bank, they are placed with highly reputable financial institutions. The Luogang Target Group's activities are mainly exposed to liquidity risk. The Luogang Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Luogang Target Group's financial performance.

Liquidity risk

Due to the capital-intensive nature of the Luogang Target Group's business, the Luogang Target Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Luogang Target Group's financial liabilities mainly represent the amounts due to ultimate holding company and non-controlling interests.

The table below analyses the Luogang Target Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than one year
	RMB'000
At 30 June 2019	
Other payables and accrual charges	13,099
Amount due to ultimate holding company	4,851,989
Amounts due to non-controlling interests	4,066,099
	8,931,187

3.2 Capital management

The Luogang Target Group's objective when managing capital is to safeguard the Luogang Target Group's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Luogang Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

3.3 Fair value estimation

The carrying values of the Luogang Target Group's financial assets and financial liabilities, including other receivables, cash and cash equivalents, amounts due to ultimate holding company, amount due to non-controlling interests, other payables and accrued charges, are a reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Luogang Target Group and that are believed to be reasonable under the circumstances.

The directors of the Luogang Target Group, however, are of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Luogang Target Group within the next financial year, except the one set out below:

(a) Current and deferred income tax

The Luogang Target Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

(b) Net realisable value of properties under development

The Luogang Target Group writes down properties under development to net realisable value based on assessment of the realisability of properties under development which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted in the period in which such estimate is changed.

(c) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair value less costs to sell and value-in-use, taking into account the latest market information and past experience.

5 FINANCE INCOME

	27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
Interest income from bank deposits	—	19

6 FINANCE COSTS

	27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
Interest on amount due to GZYX *(Note 18(b))*	—	24,300
Interest on amount due to Guangzhou Metro *(Note 18(b))*	—	17,582
Interest on amount due to Science City *(Note 14)*	—	3,958
Total interest expense	—	45,840
Less: amount capitalised based upon qualifying assets of properties under development *(Note (a))*	—	(8,577)
	—	37,263

(a) For the six months ended 30 June 2019, borrowing costs capitalised as properties under development are calculated by applying capitalisation rate of 6.5 percent per annum.

7 TAXATION

No provision for China corporate income tax of 25% was made in the Historical Financial Information as the Luogang Target Group had no estimated assessable profit for the Track Record Period.

	27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
Deferred taxation *(Note 15)*	—	(8,843)

	27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
Loss before taxation	—	(6,787)
Calculated at China corporate income tax rate of 25%	—	(1,697)
Income not subject to tax	—	(7,614)
Tax losses for which no deferred income tax asset was recognised	—	468
Taxation	—	(8,843)

8 BUSINESS COMBINATION

On 28 May 2019, the Luogang Target Holding Company, GZYX, Guangzhou Metro and Science City entered into an equity transfer agreement pursuant to which Guangzhou Metro sold 51% of the equity interest in the Luogang Target Company to the Luogang Target Holding Company for a consideration of approximately RMB353 million. This transaction was completed on 30 May 2019 ("Acquisition Date").

As the majority of the directors are appointed by the Luogang Target Holding Company and the resolutions of the shareholders' meeting and the board of directors are passed by simple majority, the Luogang Target Company became a direct non wholly-owned subsidiary of the Luogang Target Holding Company.

Details of the purchase consideration and the net assets acquired are as follows:

	RMB'000
Cash paid	353,053
Identifiable net assets acquired	(383,510)
Bargain purchase on business combination	(30,457)

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment	1,718,840
Properties under development	7,071,160
Other receivables, prepayments and deposits	110
Cash and cash equivalents	9,840
Other payables and accrued charges	(3,518)
Amount due to ultimate holding company	(4,005,102)
Amounts due to non-controlling interests	(3,930,387)
Deferred tax liabilities	(191,310)
Total identifiable net assets	669,633
Non-controlling interest *(Note)*	(286,123)
Identifiable net assets acquired	383,510

Note: The non-controlling interest is calculated by using proportionate asset method.

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	RMB'000
Cash paid	353,053
Cash and bank balance acquired	(9,840)
	343,213

The acquired business contributed revenues of nil and net loss of approximately RMB27 million to Luogang Target Group for the period from 30 May 2019 to 30 June 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated loss after tax of the Luogang Target Group for six months ended 30 June 2019 would have been nil and approximately RMB105 million, respectively.

9 SUBSIDIARY

During the Track Record Period, the Luogang Target Holding Company had direct interest in the following subsidiary:

Name of entity	Date of incorporation	Place of incorporation and operation and kind of legal entity	Principal activities	Paid-in capital	Ownership interest held by the Luogang Target Holding Company As at 31 December 2018	Ownership interest held by the Luogang Target Holding Company As at 30 June 2019	Ownership interest held by non-controlling interests As at 31 December 2018	Ownership interest held by non-controlling interests As at 30 June 2019
Guangzhou City Pinyue Property Development Company Limited	4 December 2018	China, limited liability company	Property development	RMB10,000,000	0%	51%	100%	49%

(a) Non-controlling interest

Set out below is the summarised financial information of the subsidiary. The amounts disclosed for the subsidiary are before inter-company eliminations.

Summarised balance sheet	**The Luogang Target Company As at 30 June 2019** *RMB'000*
Current assets	5,255,143
Current liabilities	8,078,251
Net current liabilities	(2,823,108)
Non-current assets	4,175,572
Non-current liabilities	182,467
Net non-current assets	3,993,105
Net assets	1,169,997
Non-controlling interests	573,298

Summarised statement of comprehensive income	The Luogang Target Company from Acquisition Date to 30 June 2019
	RMB'000
Finance costs – net	(35,371)
Loss and total comprehensive loss for the period	(26,528)
Loss allocated to non-controlling interests	(12,999)

Summarised cash flows	The Luogang Target Company from Acquisition Date to 30 June 2019
	RMB'000
Cash flows used in operating activities	(211)
Cash flows generated from financing activities	612,600
Net increase in cash and cash equivalents	612,389

10 PROPERTY, PLANT AND EQUIPMENT

	Right-of-used assets
	RMB'000
As at 27 November 2018, 31 December 2018 and 1 January 2019	—
Acquisition of the Luogang Target Company *(Note 8)*	1,718,840
As at 30 June 2019	1,718,840

The right-of-use asset represents land use right leased by the Luogang Target Group.

11 PROPERTIES UNDER DEVELOPMENT

	As at 31 December 2018	As at 30 June 2019
	RMB'000	*RMB'000*
Amounts expected to be completed:		
Within a normal operating cycle included under current assets	—	4,634,633
Beyond a normal operating cycle included under non-current assets	—	2,456,732
	—	7,091,365

	As at 31 December 2018	As at 30 June 2019
	RMB'000	*RMB'000*
Properties under development comprise:		
Land use rights	—	7,067,602
Construction cost and capitalised expenditures	—	15,186
Finance cost capitalised	—	8,577
	—	7,091,365

The normal operating cycle of the Luogang Target Group's property development generally ranges from two to three years.

Properties under development is located in Luogang, Guangzhou, PRC.

As at 30 June 2019, properties under development are expected to be recovered more than one year after the balance sheet date.

12 CASH AND CASH EQUIVALENTS

The Luogang Target Group

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Cash at bank	—	630,935
Maximum exposure to credit risk	—	630,935

The Luogang Target Holding Company

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Cash at bank	—	10,601
Maximum exposure to credit risk	—	10,601

Cash and cash equivalents of the Luogang Target Group and Luogang Target Holding Company are denominated in RMB.

13 OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Accrual for construction related costs	—	13,094
Others	—	5
	—	13,099

14 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Amount due to Guangzhou Metro *(Note 18(c))*	—	3,226,061
Amount due to Science City *(Note (a))*	—	725,866
	—	3,951,927

(a) The balance is unsecured and interest bearing at 6.5% per annum. The balance is repayable within one year and denominated in RMB.

15 DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using the applicable income tax rate. The majority of the deferred tax items are expected to be recovered after more than 12 months.

The gross movement on the deferred tax account are as follows:

	RMB'000
As at 27 November 2018 (date of incorporation of Luogang Target Holding Company) and 1 January 2019	—
Credit to profit or loss during the period *(Note 7)*	8,843
Acquisition of the Luogang Target Company *(Note 8)*	(191,310)
As at 30 June 2019	(182,467)

The movements of deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the Track Record Period are as follows:

	Tax loss *RMB'000*
As at 27 November 2018 (date of incorporation of Luogang Target Holding Company) and 1 January 2019	—
Credited to profit or loss during the period *(Note 7)*	8,843
Acquisition of the Luogang Target Company	39,026
As at 30 June 2019	47,869

The movements of deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the Track Record Period are as follows:

	Fair value up of properties arising from business combination
	RMB'000
As at 27 November 2018 (date of incorporation of Luogang Target Holding Company) and 1 January 2019	—
Acquisition of the Luogang Target Company	230,336
As at 30 June 2019	230,336

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. As at 30 June 2019, deferred tax assets of approximately RMB47,869,000 were offset by deferred liabilities. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheets:

	As at 31 December 2018	**As at 30 June 2019**
	RMB'000	*RMB'000*
Deferred tax liabilities	—	182,467

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 30 June 2019, the Luogang Target Group had unrecognised deferred tax assets of approximately RMB468,000 in respect of tax losses of approximately RMB1,872,000 which will expire in 2024.

16 SHARE CAPITAL

The Luogang Target Group and the Luogang Target Holding Company

	Paid-in capital
	RMB'000
Opening balance as at 27 November 2018 (date of incorporation of Luogang Target Holding Company) and 1 January 2019	—
Capital injection	10,000
Balance as at 30 June 2019	10,000

17 CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

	As at 27 November 2018 (date of incorporation of Luogang Target Holding Company) and 1 January 2019	Cash flows	Other changes: Acquisition (Note 8)	Other changes: Interest accrued (Note 6)	As at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current					
Amount due to GZYX	—	666,069	4,005,102	24,300	4,695,471
Amount due to Guangzhou Metro	—	—	3,208,479	17,582	3,226,061
Amount due to Science City	—	—	721,908	3,958	725,866
	—	666,069	7,935,489	45,840	8,647,398

18 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The table below summaries the names of related parties with whom the Luogang Target Group had significant transactions during the Track Record Period, and their relationship with the Luogang Target Group as at 30 June 2019:

Significant related parties	Relationship with the Luogang Target Group
GZYX	Ultimate holding company
Guangzhou Metro	Entity with significant influence over the Luogang Target Company

(b) Transactions with related parties

	27 November 2018 (date of incorporation of Luogang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
(i) Transaction with GZYX		
Interest expense *(Note 6)*	—	24,300
(ii) Transaction with Guangzhou Metro		
Interest expense *(Note 6)*	—	17,582

The terms of above transactions are mutually agreed between the contract parties.

(c) Balances with related parties

The Luogang Target Group

	As at 31 December 2018	As at 30 June 2019
	RMB'000	*RMB'000*
Amount due to GZYX *(i)*	—	4,695,471
Amount due to Guangzhou Metro *(ii)*	—	3,226,061
	—	7,921,532

(i) Except for an amount of approximately RMB4,585 million which is unsecured, interest bearing at an interest rate of 6.5% per annum and denominated in RMB, the remaining balance is unsecured, interest free and denominated in RMB. Except for an amount of approximately RMB582 million, which is repayable on demand, the remaining balance is repayable within one year.

(ii) The balance is unsecured, interest bearing at an interest rate of 6.5% per annum and denominated in RMB. The balance is repayable within one year.

The Luogang Target Holding Company

	As at 31 December 2018	As at 30 June 2019
	RMB'000	*RMB'000*
Amount due to GZYX	—	582,244

Except for an amount of approximately RMB580 million which is unsecured, interest bearing at an interest rate of 6.5% per annum and denominated in RMB, the remaining balance is unsecured, interest free and denominated in RMB. It is repayable on demand and denominated in RMB.

(d) Key management compensation

The Luogang Target Group's activities are planned, directed and controlled by the management of its ultimate holding company and the ultimate holding company had not charged any fee for the services rendered during the Track Record Period. Therefore, no key management compensation was paid during the Track Record Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Luogang Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2019 and up to the date of this report. No dividend or distribution has been declared or made by the Luogang Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2019.

The following is the text of a report set out on pages IIB-1 to IIB-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUEXIU PROPERTY COMPANY LIMITED

Introduction

We report on the historical financial information of Guangzhou Weixin Industrial Development Company Limited. (the "Chen Tougang Target Holding Company") and its subsidiary (together, the "Chen Tougang Target Group") set out on pages IIB-4 to IIB-33, which comprises the consolidated and company balance sheets as at 31 December 2018 and 30 June 2019 and the consolidated statements of comprehensive income, the statements of changes in equity and the statements of cash flows from 27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2018 and for the six months ended 30 June 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-4 to IIB-33 forms an integral part of this report, which has been prepared for inclusion in the circular of Yuexiu Property Company Limited (the "Company") dated 27 September 2019 in connection with the proposed acquisition of the Chen Tougang Target Holding Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Chen Tougang Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of the Chen Tougang Target Holding Company and its subsidiary now comprising the Chen Tougang Target

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Group for the Track Record Period. The directors of the respective companies now comprising the Chen Tougang Target Group are responsible for the preparation of the management accounts of the Chen Tougang Target Holding Company and its subsidiary now comprising the Chen Tougang Target Group in accordance with the relevant accounting principles generally accepted in their places of incorporation, and for such internal control as the respective directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Chen Tougang Target Holding Company as at 31 December 2018 and 30 June 2019, the consolidated financial position of the Chen Tougang Target Group as at 31 December 2018 and 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
27 September 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE CHEN TOUGANG TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2018** *RMB'000*	**Six months ended 30 June 2019** *RMB'000*
Administrative expenses		—	(2)
Bargain purchase on business combination	*8*	—	26,894
Operating profit		—	26,892
Finance income	*5*	—	21
Finance costs	*6*	—	(20,272)
Profit before taxation		—	6,641
Taxation	*7*	—	4,721
Profit and total comprehensive income for the period		—	11,362
Attributable to:			
– Equity holders of the Chen Tougang Target Holding Company		—	18,302
– Non controlling interests		—	(6,940)
		—	11,362

(B) CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2018 RMB'000	As at 30 June 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	—	1,665,948
Properties under development	*11*	—	2,600,876
		—	4,266,824
Current assets			
Properties under development	*11*	—	4,337,710
Other receivables		—	2
Cash and cash equivalents	*12*	—	748,223
		—	5,085,935
Total assets		—	9,352,759
LIABILITIES			
Current liabilities			
Other payables and accrued charges	*13*	—	1,581,685
Amount due to ultimate holding company	*17(c)*	—	3,878,802
Amount due to a non-controlling interest	*17(c)*	—	3,205,949
		—	8,666,436
Non-current liabilities			
Deferred tax liabilities	*14*	—	120,030
Total liabilities		—	8,786,466
EQUITY			
Capital and reserves attributable to equity holders of the Chen Tougang Target Holding Company			
Share capital	*15*	—	10,000
Retained earnings		—	18,302
		—	28,302
Non-controlling interests		—	537,991
Total equity		—	566,293
Total equity and liabilities		—	9,352,759
Net current liabilities		—	(3,580,501)
Total assets less current liabilities		—	686,323

(C) BALANCE SHEETS OF THE CHEN TOUGANG TARGET HOLDING COMPANY

	Note	As at 31 December 2018 RMB'000	As at 30 June 2019 RMB'000
ASSETS			
Non-current asset			
Interest in a subsidiary	9	—	540,280
Current assets			
Cash and cash equivalents	12	—	10,351
Total assets		—	550,631
LIABILITIES			
Current liabilities			
Amount due to ultimate holding company	17(c)	—	541,999
EQUITY			
Share capital	15	—	10,000
Accumulated losses		—	(1,368)
Total equity		—	8,632
Total equity and liabilities		—	550,631
Net current liabilities		—	(531,648)
Total assets less current liabilities		—	8,632

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
Operating profit	—	26,892
Adjustments for:		
Bargain purchase on business combination	—	(26,894)
Operating cash flows before movements in working capital	—	(2)
Increase in properties under development	—	(315,120)
Decrease in other payables and accrued charges	—	315,120
Net cash used in operations	—	(2)
Interest received	—	21
Net cash generated from operating activities	—	19
Investing activities		
Acquisition of a subsidiary, net cash paid *(Note 8)*	—	(229,663)
Cash used in investing activities	—	(229,663)
Financing activities		
Capital contribution from immediate holding company	—	10,000
Capital contribution from a non-controlling interest	—	356,651
Advance from ultimate holding company	—	611,216
Cash generated from financing activities	—	977,867
Increase in cash and cash equivalents	—	748,223
Cash and cash equivalents at the beginning of the period	—	—
Cash and cash equivalents at the end of the period	—	748,223

(E) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Chen Tougang Target Holding Company				
	Share Capital (Note 15)	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 27 November 2018, 31 December 2018 and 1 January 2019	—	—	—	—	—
Profit/(loss) and total comprehensive income/(loss) for the period	—	18,302	18,302	(6,940)	11,362
Total comprehensive income/(loss) for the period	—	18,302	18,302	(6,940)	11,362
Transactions with owners					
Capital injection	10,000	—	10,000	356,651	366,651
Non-controlling interests of a newly acquired subsidiary *(Note 8)*	—	—	—	188,280	188,280
Total transactions with owners	10,000	—	10,000	544,931	554,931
Balance at 30 June 2019	10,000	18,302	28,302	537,991	566,293

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Guangzhou Weixin Industrial Development Company Limited (the "Chen Tougang Target Holding Company") was incorporated in the People's Republic of China (the "PRC") on 27 November 2018. The address of its registered office is Room 6401, No. 5, Zhujiang West Road, Guangzhou, PRC.

The Chen Tougang Target Holding Company is an investment holding company and is wholly owned by Easyway Incorporation Limited ("Easyway"). The ultimate holding company of the Chen Tougang Target Holding Company is Guangzhou Yue Xiu Holdings Limited ("GZYX").

On 30 May 2019, the Chen Tougang Target Holding Company acquired 51% equity interest in Guangzhou Pinhui Property Development Company Limited (the "Chen Tougang Target Company") from Guangzhou Metro Group Co., Ltd. ("Guangzhou Metro"). As the majority of the directors are appointed by the Chen Tougang Target Holding Company and the resolutions of the board of directors are passed by simple majority, the Chen Tougang Target Company became a direct non wholly-owned subsidiary of the Chen Tougang Target Holding Company.

The Chen Tougang Target Company is principally engaged in development, selling and management of properties in Chen Tougang, Guangzhou, the PRC. The Chen Tougang Target Holding Company and its subsidiary, the Chen Tougang Target Company, are collectively regarded as the Chen Tougang Target Group.

On 10 September 2019, Guangzhou City Construction & Development Group Nansha Co., Ltd. (the "Purchaser"), an indirect non wholly-owned subsidiary of Yuexiu Property Company Limited (the "Company"), entered into an equity transfer agreement with Easyway, the intermediate holding company of the Chen Tougang Target Holding Company, pursuant to which the Purchaser agreed to purchase 100% equity interest in the Chen Tougang Target Holding Company, which in turn owns 51% equity interest in the Chen Tougang Target Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

2.1 Incomparability of the Historical Financial Information

As the Chen Tougang Target Holding Company was incorporated on 27 November 2018, the financial information in the financial period of 2018 covered a period of less than two months from 27 November 2018 to 31 December 2018 while the financial period of 2019 covered a period of six months. As a result, the financial information of 2018 is incomparable with that of 2019.

2.2 Basis of preparation

The Historical Financial Information of the Chen Tougang Target Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The Historical Financial Information has been prepared under the historical cost convention.

2.2.1 Going concern

As at 30 June 2019, the Chen Tougang Target Group's and Chen Tougang Target Holding Company's net current liabilities amounted to approximately RMB3,581 million and approximately RMB532 million, respectively, which included significant amounts due to ultimate holding company and a non-controlling interest. Except for an amount due to ultimate holding company of approximately RMB542 million, which is repayable on demand, the remaining balances are repayable within one year and therefore they are classified as current liabilities as at 30 June 2019. The directors aim to raise fund from long-term bank borrowings with pledge of the land bank in order to improve the liquidity of the Chen Tougang Target Group. In addition, GZYX, the ultimate holding company of the Chen Tougang Target Group, confirmed to provide financial support for the continuing operations of Chen Tougang Target Group and Chen Tougang Target Holding Company so as to enable them to meet their liabilities as they fall due and carry on their business without a significant curtailment of operations in the twelve months from 30 June 2019. As a result, the directors consider that it is appropriate for the Chen Tougang Target Group and Chen Tougang Target Holding Company to adopt the going concern basis in preparing the Historical Financial Information as at 30 June 2019.

2.2.2 Changes in accounting policies and disclosures

New standards and amendments to existing standards that have been issued but are not effective as at 30 June 2019 and have not been early adopted by the Chen Tougang Target Group:

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	*Definition of Material*	1 January 2020
HKFRS 3 (Amendments)	*Definition of a Business*	1 January 2020
Conceptual Framework for Financial Reporting 2018	*Revised Conceptual Framework for Financial Reporting*	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be announced
HKFRS 17	*Insurance Contracts*	1 January 2021

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing the Historical Financial Information. According to the preliminary assessment made by the directors of the Chen Tougang Target Holding Company, no significant impact on the financial performance and position of the Chen Tougang Target Holding Company is expected when they become effective.

2.3 Principles of consolidation

Subsidiary

A subsidiary is an entity (including a structured entity) over which the Chen Tougang Target Group has control. The Chen Tougang Target Group controls an entity when the Chen Tougang Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are combined from the date on which control is transferred to the Chen Tougang Target Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Chen Tougang Target Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Chen Tougang Target Holding Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Chen Tougang Target Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Chen Tougang Target Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Land use right	Lease term
Buildings	Remaining lease term of the land use right start from the completion of construction

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Please refer to Note 2.7 for detailed accounting policy of leases.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. They are included in profit or loss.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2.7 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Chen Tougang Target Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Cash payments for the principal portion and interests of the lease liability are classified within financing activities. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability, but remain presented within operating activity.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments other financial assets

(i) Classification

The Chen Tougang Target Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Chen Tougang Target Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Chen Tougang Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Chen Tougang Target Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Chen Tougang Target Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Chen Tougang Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iv) Impairment

The Chen Tougang Target Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheets where the Chen Tougang Target Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Chen Tougang Target Group or the counterparty.

2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. The cost of properties under development comprises land use rights, development and construction expenditure, borrowings costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

Properties under development are classified as current assets unless the construction of the relevant property development projects is expected to complete beyond normal operating cycle.

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with bank.

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Chen Tougang Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowings costs

General and specific Borrowings costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowings costs eligible for capitalisation.

Other borrowings costs are recognised in profit or loss in the period in which they are incurred.

2.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of income tax, from the proceeds.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Chen Tougang Target Group generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Chen Tougang Target Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Chen Tougang Target Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk and liquidity risk. During the Track Record Period, the market risk and credit risk did not have significant impact on the Chen Tougang Target Group, considering its financial assets or liabilities are denominated in RMB and there were limited other receivables, no long-term borrowings and no derivative financial instruments on book. In addition, to manage credit risk of cash at bank, they are placed with highly reputable financial institutions. The Chen Tougang Target Group's activities are mainly exposed to liquidity risk. The Chen Tougang Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Chen Tougang Target Group's financial performance.

Liquidity risk

Due to the capital-intensive nature of the Chen Tougang Target Group's business, the Chen Tougang Target Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Chen Tougang Target Group's financial liabilities mainly represent amounts due to ultimate holding company and a non-controlling interest.

The table below analyses the Chen Tougang Target Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	**Less than one year**
	RMB'000
At 30 June 2019	
Other payables and accrual charges	1,390,625
Amount due to ultimate holding company	4,008,780
Amount due to a non-controlling interest	3,297,089
	8,696,494

3.2 Capital management

The Chen Tougang Target Group's objective when managing capital is to safeguard the Chen Tougang Target Group's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Chen Tougang Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

3.3 Fair value estimation

The carrying values of the Chen Tougang Target Group's financial assets and financial liabilities, including other receivables, cash and cash equivalents, amount due to ultimate holding company, amount due to a non-controlling interest, other payables and accrued charges, are a reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Chen Tougang Target Group and that are believed to be reasonable under the circumstances.

The directors of the Chen Tougang Target Group, however, are of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Chen Tougang Target Group within the next financial year, except the one set out below:

(a) Current and deferred income tax

The Chen Tougang Target Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

(b) Net realisable value of properties under development

The Chen Tougang Target Group writes down properties under development to net realisable value based on assessment of the realisability of properties under development which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted in the period in which such estimate is changed.

(c) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair value less costs to sell and value-in-use, taking into account the latest market information and past experience.

5 FINANCE INCOME

	27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
Interest income from bank deposits	—	21

6 FINANCE COSTS

	27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
Interest on amount due to GZYX *(Note 17(b))*	—	19,559
Interest on amount due to Guangzhou Metro *(Note 17(b))*	—	17,467
Total interest expense	—	37,026
Less: amount capitalised based upon qualifying assets of properties under development and property, plant and equipment *(Note (a))*	—	(16,754)
	—	20,272

(a) For the six months ended 30 June 2019, borrowing costs capitalised as properties under development are calculated by applying capitalisation rate of 6.5 percent per annum.

7 TAXATION

No provision for China corporate income tax of 25% was made in the Historical Financial Information as the Chen Tougang Target Group had no estimated assessable profit for the Track Record Period.

	27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
Deferred taxation *(Note 14)*	—	(4,721)

	27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*
Profit before taxation	—	6,641
Calculated at China corporate income tax rate of 25%	—	1,660
Income not subject to tax	—	(6,724)
Tax losses for which no deferred income tax asset was recognised	—	343
Taxation	—	(4,721)

8 BUSINESS COMBINATION

On 28 May 2019, the Chen Tougang Target Holding Company, GZYX and Guangzhou Metro entered into an equity transfer agreement pursuant to which Guangzhou Metro sold 51% of the equity interest in the Chen Tougang Target Company to the Chen Tougang Target Holding Company for a consideration of approximately RMB240 million. This transaction was completed on 30 May 2019 ("Acquisition Date").

As the majority of the directors are appointed by the Chen Tougang Target Holding Company and the resolutions of the shareholders' meeting and the board of directors are passed by simple majority, the Chen Tougang Target Company became a direct non wholly-owned subsidiary of the Chen Tougang Target Holding Company.

Details of the purchase consideration and the net assets acquired are as follows:

	RMB'000
Cash paid	239,668
Identifiable net assets acquired	(266,562)
Bargain purchase on business combination	(26,894)

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment	1,587,044
Properties under development	6,609,956
Other receivables	2
Cash and cash equivalents	10,005
Other payables and accrued charges	(1,190,905)
Amount due to ultimate holding company	(3,248,027)
Amount due to a non-controlling interest	(3,188,482)
Deferred tax liabilities	(124,751)
Total identifiable net assets	454,842
Non-controlling interest *(Note)*	(188,280)
Identifiable net assets acquired	266,562

Note: The non-controlling interest is calculated by using proportionate asset method.

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	RMB'000
Cash paid	239,668
Cash and bank balance acquired	(10,005)
	229,663

The acquired business contributed revenues of nil and net loss of approximately RMB14 million to Chen Tougang Target Group for the period from 30 May 2019 to 30 June 2019.

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated loss after tax of the Chen Tougang Target Group for six months ended 30 June 2019 would have been nil and approximately RMB37 million, respectively.

9 SUBSIDIARY

During the Track Record Period, the Chen Tougang Target Holding Company had direct interest in the following subsidiary:

Name of entity	Date of incor-poration	Place of incorporation and operation and kind of legal entity	Principal activities	Paid-in capital	Ownership interest held by the Chen Tougang Target Holding Company		Ownership interest held by non-controlling interests	
					As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019
Guangzhou City Pinhui Property Development Company Limited	7 December 2018	China, limited liability company	Property development	RMB10,000,000	0%	51%	100%	49%

(a) Non-controlling interest

Set out below is the summarised financial information of the subsidiary. The amounts disclosed for the subsidiary are before inter-company eliminations.

Summarised balance sheet	The Chen Tougang Target Company As at 30 June 2019 *RMB'000*
Current assets	5,075,584
Current liabilities	8,124,437
Net current liabilities	(3,048,853)
Non-current assets	4,266,824
Non-current liabilities	120,030
Net non-current assets	4,146,794
Net assets	1,097,941
Non-controlling interests	537,991

Summarised statement of comprehensive income	**The Chen Tougang Target Company from Acquisition Date to 30 June 2019**
	RMB'000
Finance costs — net	(18,885)
Loss and total comprehensive loss for the period	(14,164)
Loss allocated to non-controlling interests	(6,940)

Summarised cash flows	**The Chen Tougang Target Company from Acquisition Date to 30 June 2019**
	RMB'000
Cash flows generated from operating activities	7
Cash flows generated from financing activities	727,860
Net increase in cash and cash equivalents	727,867

10 PROPERTY, PLANT AND EQUIPMENT

	Right-of-used assets	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 27 November 2018, 31 December 2018 and 1 January 2019	—	—	—
Acquisition of the Chen Tougang Target Company *(Note 8)*	1,393,462	193,582	1,587,044
Addition	—	78,904	78,904
As at 30 June 2019	1,393,462	272,486	1,665,948

The right-of-use asset represents land use right leased by the Chen Tougang Target Group.

11 PROPERTIES UNDER DEVELOPMENT

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Amounts expected to be completed:		
Within a normal operating cycle included under current assets	—	4,337,710
Beyond a normal operating cycle included under non-current assets	—	2,600,876
	—	6,938,586

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Properties under development comprise:		
Land use rights	—	5,803,698
Construction cost and capitalised expenditures	—	1,121,378
Finance cost capitalised	—	13,510
	—	6,938,586

The normal operating cycle of the Chen Tougang Target Group's property development generally ranges from two to three years.

Properties under development is located in Panyu, Guangzhou, PRC.

As at 30 June 2019, properties under development are expected to be recovered more than one year after the balance sheet date.

12 CASH AND CASH EQUIVALENTS

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
The Chen Tougang Target Group		
Cash at bank	—	748,223
Maximum exposure to credit risk	—	748,223

The Chen Tougang Target Holding Company

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Cash at bank	—	10,351
Maximum exposure to credit risk	—	10,351

Cash and cash equivalents of the Chen Tougang Target Group and the Chen Tougang Target Holding Company are denominated in RMB.

13 OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December 2018 *RMB'000*	As at 30 June 2019 *RMB'000*
Accrual for construction related costs *(Note 17(c))*	—	1,390,620
Payables of deed tax	—	191,060
Others	—	5
	—	1,581,685

14 DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using the applicable income tax rate. The majority of the deferred tax items are expected to be recovered after more than 12 months.

The gross movement on the deferred tax account are as follows:

	RMB'000
As at 27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) and 1 January 2019	—
Credit to profit or loss during the period *(Note 7)*	4,721
Acquisition of the Chen Tougang Target Company *(Note 8)*	(124,751)
As at 30 June 2019	(120,030)

The movements of deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the Track Record Period are as follows:

	Tax loss *RMB'000*
As at 27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) and 1 January 2019	—
Credited to profit or loss during the period *(Note 7)*	4,721
Acquisition of the Chen Tougang Target Company	18,339
As at 30 June 2019	23,060

The movements of deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the Track Record Period are as follows:

	Fair value up of properties arising from business combination *RMB'000*
As at 27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) and 1 January 2019	—
Acquisition of the Chen Tougang Target Company	143,090
As at 30 June 2019	143,090

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. As at 30 June 2019, deferred tax assets of approximately RMB23,060,000 were offset by deferred liabilities. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheets:

	As at 31 December 2018 *RMB'000*	**As at 30 June 2019** *RMB'000*
Deferred tax liabilities	—	120,030

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 30 June 2019, the Chen Tougang Target Group had unrecognised deferred tax assets of approximately RMB343,000 in respect of tax losses of approximately RMB1,372,000 which will expire in 2024.

15 SHARE CAPITAL

The Chen Tougang Target Group and the Chen Tougang Target Holding Company

	Paid-in capital *RMB'000*
Opening balance as at 27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) and 1 January 2019	—
Capital injection	10,000
Balance as at 30 June 2019	10,000

16 CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

			Other changes		
	As at 27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) and 1 January 2019 *RMB'000*	**Cash flows** *RMB'000*	**Acquisition** *(Note 8)* *RMB'000*	**Interest accrued** *(Note 6)* *RMB'000*	**As at 30 June 2019** *RMB'000*
Current					
Amount due to GZYX	—	611,216	3,248,027	19,559	3,878,802
Amount due to Guangzhou Metro	—	—	3,188,482	17,467	3,205,949
	—	611,216	6,436,509	37,026	7,084,751

17 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The table below summaries the names of related parties with whom the Chen Tougang Target Group has significant transactions during the Track Record Period, and their relationship with the Chen Tougang Target Group as at 30 June 2019:

Significant related parties	**Relationship with the Chen Tougang Target Group**
GZYX	Ultimate holding company
Guangzhou Metro	Entity with significant influence over the Chen Tougang Target Company

(b) Transactions with related parties

	27 November 2018 (date of incorporation of Chen Tougang Target Holding Company) to 31 December 2017 *RMB'000*	**Six months ended 30 June 2019** *RMB'000*
(i) Transaction with GZYX		
Interest expense *(Note 6)*	—	19,559
(ii) Transaction with Guangzhou Metro		
Interest expense *(Note 6)*	—	17,467
Construction costs	—	390,780

The terms of above transactions are mutually agreed between the contract parties.

(c) Balances with related parties

The Chen Tougang Target Group

	As at 31 December 2018 *RMB'000*	**As at 30 June 2019** *RMB'000*
Amount due to GZYX *(i)*	—	3,878,802
Amount due to Guangzhou Metro *(ii)*	—	3,205,949
Accrual for construction related costs to Guangzhou Metro *(iii)*	—	1,390,620
	—	8,475,371

(i) Except for an amount of approximately RMB3,788 million which is unsecured, interest bearing at an interest rate of 6.5% per annum and denominated in RMB, the remaining balance is unsecured, interest free and denominated in RMB. Except for an amount of approximately RMB542 million, which is repayable on demand, the remaining balance is repayable within one year.

(ii) The balance is unsecured, interest bearing at an interest rate of 6.5% per annum and denominated in RMB. The balance is repayable within one year.

(iii) The balances are accrual for construction related costs to Guangzhou Metro, which are recorded in other payables and accrued charges.

The Chen Tougang Target Holding Company

	As at 31 December 2018	**As at 30 June 2019**
	RMB'000	*RMB'000*
Amount due to GZYX	—	541,999

Except for an amount of approximately RMB540 million which is unsecured, interest bearing at an interest rate of 6.5% per annum and denominated in RMB, the remaining balance is unsecured, interest free and denominated in RMB. It is repayable on demand and denominated in RMB.

(d) Key management compensation

The Chen Tougang Target Group's activities are planned, directed and controlled by the management of its ultimate holding company and the ultimate holding company had not charged any fee for the services rendered during the Track Record Period. Therefore, no key management compensation was paid during the Track Record Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Chen Tougang Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2019 and up to the date of this report. No dividend or distribution has been declared or made by the Chen Tougang Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2019.

*Set out below is the management discussion and analysis of the Luogang Target Group for the period from 27 November 2018 (being the date of incorporation of the Target Holding Companies) to 31 December 2018 and six months ended 30 June 2019 (the "**Track Record Period**").*

BUSINESS REVIEW

The Luogang Target Holding Company and the Luogang Target Company (collectively, the "**Luogang Target Group**") are limited liability companies incorporated under the PRC laws. The principal asset of the Luogang Target Company is the land.

The Luogang Project being and to be constructed on the land is mixed-use residential, commercial and public utilities projects with total gross floor areas of up to approximately 935,795 sq.m. with a site area of 282,931 sq.m. and a plot ratio accountable gross floor area of 605,472 sq.m. As at the Latest Practicable Date, the Luogang Project is still at its initial stage of development.

In May 2019, GZYX acquired 51% equity interests in the Lougang Target Company from Guangzhou Metro, at a consideration of approximately RMB4.36 billion. After completion of the GZYX 51% Acquisition, further loan in the aggregate principal amount of RMB312,426,000 was extended by GZYX to the Luogang Target Holding Company.

FINANCIAL REVIEW

Revenue

As the New Metro Property Projects are at its initial stage of development, no revenue was derived by the Luogang Target Group from property sales during the Track Record Period.

Bargain Purchase on Business Combination

On 28 May 2019, the Luogang Target Holding Company, GZYX, Guangzhou Metro and Science City entered into an equity transfer agreement pursuant to which Guangzhou Metro sold 51% of the equity interest in the Luogang Target Company to the Luogang Target Holding Company for a consideration of approximately RMB353 million. This transaction was completed on 30 May 2019.

The bargain purchase on business combination amounting to RMB30,457 million was resulted from the above-mentioned transaction.

Finance Costs

Finance costs represented the net interest expenses incurred for the interest bearing amounts due to ultimate holding company and non-controlling interests of the Luogang Target Group after deduction of the capitalised portion.

Property Under Development (Current and Non-Current)/Property, Plant and Equipment

Property under development and property, plant and equipment represented the land premium, construction costs and other direct costs attributable to the development incurred by the Luogang Target Group in respect of the Luogang Project.

Amount Due to Ultimate Holding Company (Current)

The balance of the amounts due to ultimate holding company includes: 1) the balance amounting to approximately RMB582 million payable to GZYX by the Luogang Target Holding Company; 2) the balance amounting to approximately RMB4,113 million payable to GZYX by the Luogang Target Company. Each of the aforesaid balances is denominated in RMB and unsecured. Except for an amount of approximately RMB4,585 million which is interest bearing at an interest rate of 6.5% per annum, the remaining balance is interest free. And except for an amount of approximately RMB582 million, which is repayable on demand, the remaining balance is repayable within one year.

Amounts Due to Non-controlling Interests (Current)

The balance of the amounts due to non-controlling interests includes 1) the balance amounting to approximately RMB3,226 million payable to Guangzhou Metro by the Luogang Target Company; 2) the balance amounting to approximately RMB726 million payable to Science City by the Luogang Target Company. Each of the aforesaid balances is denominated in RMB, is unsecured at an interest rate of 6.5% per annum, and is repayable within one year. Each of the aforesaid amounts payable is inclusive of interest accrued during the Track Record Period.

Pledge of Assets

No assets were pledged by the Luogang Target Group as at 30 June 2019.

Contingent Liabilities

As at 30 June 2019, the Luogang Target Group did not have any contingent liabilities.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, the net assets and net current liabilities of the Luogang Target Group amounted to approximately RMB598 million and RMB3,395 million, respectively. The Group is committed to provide continuous financial support and sufficient funds to the Luogang Target Group for repayment of its liabilities as they fall due. The Luogang Target Group aims to maintain a balance between the continuity and flexibility of its funds through the use of the loans from its shareholders.

MATERIAL CHANGE

Save for the Acquisitions, the Directors were not aware of any material change in the financial or trading position or outlook of the Luogang Target Group since 30 June 2019, being the date to which the latest audited financial statements of the Luogang Target Group were made up, and up to and including the Latest Practicable Date.

LITIGATION

As at the Latest Practicable Date, no member of the Luogang Target 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 any member of the Luogang Target Group.

*Set out below is the management discussion and analysis of the Chen Tougang Target Group for the period from 27 November 2018 (being the date of incorporation of the Target Holding Companies) to 30 June 2019 (the "**Track Record Period**").*

BUSINESS REVIEW

The Chen Tougang Target Holding Company and the Chen Tougang Target Company (collectively, the "**Chen Tougang Target Group**") are limited liability companies incorporated under the PRC laws. The principal asset of the Chen Tougang Target Company is the land.

The Chen Tougang Project to be constructed on the land is mixed-use residential, commercial and public utilities projects with total gross floor areas of up to approximately 876,741 sq.m. with a site area of 242,094 sq.m. and a plot ratio accountable gross floor area of 583,447 sq.m.. As at the Latest Practicable Date, the Chen Tougang Project has not begun its development phase.

In May 2019, GZYX acquired 51% equity interests in the Chen Tougang Target Company from Guangzhou Metro, at a consideration of approximately RMB3.49 billion. After completion of the GZYX 51% Acquisition, further loan in the aggregate principal amount of RMB371,208,600 was extended by GZYX to the Chen Tougang Target Holding Company.

FINANCIAL REVIEW

Revenue

As the New Metro Property Projects are at its initial stage of development, no revenue was derived by the Chen Tougang Target Group from property sales during the Track Record Period.

Bargain Purchase on Business Combination

On 28 May 2019, the Chen Tougang Target Holding Company, GZYX and Guangzhou Metro entered into an equity transfer agreement pursuant to which Guangzhou Metro sold 51% of the equity interest in the Chen Tougang Target Company to the Chen Tougang Target Holding Company for a consideration of approximately RMB240 million. This transaction was completed on 30 May 2019.

The bargain purchase on business combination amounting to RMB26,894 million was resulted from the above-mentioned transaction.

Finance Costs

Finance costs represented the net interest expenses incurred for the interest bearing amounts due to ultimate holding company and a non-controlling interest of the Chen Tougang Target Group after deduction of the capitalized portion.

Property Under Development (Current and Non-Current)/Property, Plant and Equipment

Property under development and property, plant and equipment represented the land premium, construction costs and other direct costs attributable to the development incurred by the Chen Tougang Target Group in respect of the Chen Tougang Project.

Amount Due to Ultimate Holding Company (Current)

The balance of the amounts due to ultimate holding company includes: 1) the balance amounting to approximately RMB542 million payable to GZYX by the Chen Tougang Target Holding Company; 2) the balance amounting to approximately RMB3,337 million payable to GZYX by the Chen Tougang Target Company. Each of the aforesaid balance is dominated in RMB and unsecured. Except for an amount of approximately RMB3,788 million is interest bearing at an interest rate of 6.5% per annum, the remaining balance is interest free. And except for an amount of approximately RMB542 million which is repayable on demand, the remaining balance is repayable within one year.

Amounts Due to Non-controlling Interests (Current)

The balance of the amounts due to non-controlling interests includes the balance amounting to approximately RMB3,206 million payable to Guangzhou Metro by the Chen Tougang Target Company. Each of the aforesaid balances is denominated in RMB, is unsecured at an interest rate of 6.5% per annum, and is repayable within one year. Each of the aforesaid amounts payable is inclusive of interest accrued during the Track Record Period.

Pledge of Assets

No assets were pledged by the Chen Tougang Target Group as at 30 June 2019.

Contingent Liabilities

As at 30 June 2019, the Chen Tougang Target Group did not have any contingent liabilities.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, the net assets and net current liabilities of the Chen Tougang Target Group amounted to approximately RMB566 million and RMB3,581 million, respectively. The Group is committed to provide continuous financial support and sufficient funds to the Chen Tougang Target Group for repayment of its liabilities as they fall due. The Chen Tougang Target Group aims to maintain a balance between the continuity and flexibility of its funds through the use of the loans from its shareholders.

MATERIAL CHANGE

Save for the Acquisitions, the Directors were not aware of any material change in the financial or trading position or outlook of the Chen Tougang Target Group since 30 June 2019, being the date to which the latest audited financial statements of the Chen Tougang Target Group were made up, and up to and including the Latest Practicable Date.

LITIGATION

As at the Latest Practicable Date, no member of the Chen Tougang Target 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 any member of the Chen Tougang Target Group.

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

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

The following unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the consolidated statement of assets and liabilities of the Enlarged Group as if the Acquisitions had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the consolidated balance sheet of the Group as at 30 June 2019, as set out in its published interim report on the interim financial information for the six-month period ended 30 June 2019; (ii) the consolidated balance sheets of the Target Group as at 30 June 2019; and (iii) the pro forma adjustments prepared to reflect the effects of the Acquisitions as explained in the notes set out below that are directly attributable to the Acquisitions and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this Circular.

The Unaudited Pro Forma Financial Information has been complied by the Directors for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed as at 30 June 2019 or any future date.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2019

			Pro forma adjustments				
	The Group as at 30 June 2019	The Luogang Target Group as at 30 June 2019	The Chen Tougang Target Group as at 30 June 2019				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
ASSETS							
Non-current assets							
Property, plant and equipment	2,047,527	1,718,840	1,665,948	37,986			5,470,301
Right-of-use asset	365,007	—	—				365,007
Land use rights	202,068	—	—				202,068
Investment properties	10,834,733	—	—				10,834,733
Properties under development	4,838,499	2,456,732	2,600,876	56,169			9,952,276
Interests in joint ventures	6,284,169	—	—				6,284,169
Interests in associated entities	13,304,960	—	—				13,304,960
Financial assets at fair value through other comprehensive income	1,320,120	—	—				1,320,120
Deferred tax assets	555,500	—	—				555,500
	39,752,583	4,175,572	4,266,824				48,289,134
Current assets							
Properties under development	93,809,251	4,634,633	4,337,710	101,106			102,882,700
Properties held for sale	15,530,951	—	—				15,530,951
Contract costs	425,204	—	—				425,204
Prepayments for land use rights	8,979,586	—	—				8,979,586
Trade receivables	59,902	—	—				59,902
Other receivables, prepayments and deposits	15,895,230	177	2	8,574,275		(8,574,275)	15,895,409
Prepaid taxation	2,237,620	—	—				2,237,620
Charged bank deposits	7,078,819	—	—				7,078,819
Cash and cash equivalents	24,504,308	630,935	748,223	(8,702,320)	(20,000)		17,161,146
	168,520,871	5,265,745	5,085,935				170,251,337

				Pro forma adjustments			
	The Group as at 30 June 2019	The Luogang Target Group as at 30 June 2019	The Chen Tougang Target Group as at 30 June 2019				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
LIABILITIES							
Current liabilities							
Trade and note payables	1,679,644	—	—				1,679,644
Contract liabilities	36,866,511	—	—				36,866,511
Other payables and accrued charges	38,261,587	8,660,497	8,666,436			(8,574,275)	47,014,245
Borrowings	7,989,119	—	—				7,989,119
Lease liabilities	85,080	—	—				85,080
Derivative financial instruments	15,899	—	—				15,899
Taxation payable	5,688,004	—	—				5,688,004
	90,585,844	8,660,497	8,666,436				99,338,502
Non-current liabilities							
Borrowings	57,036,536	—	—				57,036,536
Lease liabilities	289,929	—	—				289,929
Deferred tax liabilities	6,632,286	182,467	120,030	48,815			6,983,598
Deferred revenue	54,726	—	—				54,726
Derivative financial instruments	4,782	—	—				4,782
Other payables and accrued charges	1,050,426	—	—				1,050,426
	65,068,685	182,467	120,030				65,419,997
Net assets	52,618,925	598,353	566,293				53,781,972

Notes:

1. The balances are extracted from the condensed consolidated balance sheet of the Group as at 30 June 2019 as set out in the Company's published interim report on the interim financial information for the six-month period ended 30 June 2019.

2. The balances are extracted from the audited consolidated balance sheets of the Luogang Target Group and Chen Tougang Target Group as at 30 June 2019 as set out in Appendix IIA and Appendix IIB to this Circular.

3. The Acquisitions

The Acquisitions represents the Luogang Acquisition and Chen Tougang Acquisition, which will be satisfied by cash consideration of RMB8,702 million to GZYX.

The cash consideration of the Acquisitions comprises:

(i) RMB128 million, being the Equity Considerations for the Luogang Acquisition and Chen Tougang Acquisition; and

(ii) RMB8,574 million, being the Loan Consideration, which represents the principal amount of RMB8,530 million and accrued interest of RMB44 million calculated up to 30 June 2019 for the purpose of Unaudited Pro Forma Financial Information. The interest is accrued at 6.5% per annum from the respective dates when such Loans were made up to the completion of the Acquisitions.

The Luogang Acquisition and Chen Tougang Acquisition are inter-conditional.

Upon completion of the Acquisitions, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated statement of assets and liabilities of the Enlarged Group at fair value under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3, "Business Combination" ("HKFRS 3"). For the purpose of the Unaudited Pro Forma Information and for illustrative purpose only, the Company has carried out an illustrative purchase price allocation in accordance with HKFRS 3. The identifiable assets and liabilities of the Target Group are recorded in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at their fair value as at 30 June 2019 estimated by the directors of the Company with reference to the valuation performed by the independent valuer which issued a valuation report dated 27 September 2019 on the Target Group for the purpose of purchase price allocation as set out in Appendix VA and Appendix VB to this Circular.

Acquisitions Consideration	*Note*	*RMB'000*
Satisfied by:		
Total cash consideration paid to GZYX		8,702,320
Less: Loan Consideration as at 30 June 2019		(8,574,275)
Equity Considerations		128,045
Net assets of the Target Group as at 30 June 2019		1,164,646
Fair value gain of the properties	*(a)*	195,261
Effect of deferred tax liabilities arising from fair value gain of the properties	*(b)*	(48,815)
Non-controlling interests of 49% of the Target Group	*(c)*	(1,183,047)
Identifiable net assets acquired		128,045
Goodwill		—

(a) For the purpose of Unaudited Pro Forma Financial Information, the fair value of the properties under development and property, plant and equipment of the Luogang Project and Chen Tougang Project of RMB8,932 million and RMB8,678 million as at 30 June 2019 are based on the valuation report prepared by the independent valuer on 27 September 2019 as set out in Appendix VA and Appendix VB to this Circular, with a fair value gain amounting to RMB122 million and RMB73 million compared to the amounts of properties under development and property, plant and equipment of the Luogang Project and Chen Tougang Project of RMB8,810 million and RMB8,605 million as at 30 June 2019 as set out in Appendix IIA and Appendix IIB to this Circular.

(b) The adjustment on deferred tax liabilities of RMB49 million is based on the fair value gain of the properties under development and property, plant and equipment of the Luogang Project and Chen Tougang Project of RMB195 million, by applying China corporate income tax rate of 25%.

(c) The amount represents 49% of the recognised amounts of identifiable net assets attributable to non-controlling interests of Luogang Target Company and Chen Tougang Target Company.

Since (i) the liabilities assumed to be settled by cash consideration, (ii) the fair values of the identifiable assets and liabilities of the Target Group at the date of completion may substantially differ from the fair values used in the preparation of this Unaudited Pro Forma Financial Information, the cash consideration and calculation result relating to the Acquisitions at the date of completion may be substantially different from the corresponding amounts presented in this Unaudited Pro Forma Financial Information.

4. The adjustment represents the estimated amounts regarding the legal and professional fees and other expenses incurred for the Acquisitions of approximately RMB20 million.

5. The adjustment represents the elimination of the Loan Consideration on the completion of the Acquisitions.

6. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2019.

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

pwc 羅兵咸永道

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

To the Directors of Yuexiu Property Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro-forma financial information of Yuexiu Property Company Limited (the "Company") and its subsidiaries (collectively the "Group"), Guangzhou Dongyue Industrial Development Co., Ltd and its subsidiary and Guangzhou Weixin Industrial Development (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro-forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2019 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-5 of the Company's circular dated 27 September 2019, in connection with the acquisitions of the Target Group (the "Acquisitions") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-5.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisitions on the Group's financial position as at 30 June 2019 as if the Acquisitions had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's interim financial information for the six-month period ended 30 June 2019, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

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Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisitions at 30 June 2019 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
27 September 2019

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with their valuation as at 30 June 2019 of the Luogang Target Holding Company.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F, One Taikoo Place,
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

27 September 2019

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

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the market value of the net assets value Guangzhou Dongyue Industrial Development Co., Ltd. (廣州東越實業發展有限公司, the "Target Holding Company") as at 30 June 2019 (the "Valuation Date"). The report which follows is dated 27 September 2019 (the "Report Date").

The purpose of this valuation is for public disclosure reference.

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

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

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

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

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB71,642,000.

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

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

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INTRODUCTION

This report has been prepared in accordance with instructions from Yuexiu Property Company Limited to express an independent opinion of the market value of the net assets value of Guangzhou Dongyue Industrial Development Co., Ltd. (廣州東越實業發展有限公司, the "Target Holding Company") as at 30 June 2019 (the "Valuation Date"). The report which follows is dated 27 September 2019 (the "Report Date").

PURPOSE OF VALUATION

The purpose of this valuation is for public disclosure reference.

BASIS OF OPINION

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

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

BACKGROUND

Established in November 2018, Guangzhou Dongyue Industrial Development Co., Ltd. (廣州東越實業發展有限公司, the "Target Holding Company") was principally engaged in the development and operation of properties and provision of corporate management services. As of the Valuation Date, the Target Holding Company holds 51% equity interest in Guangzhou City Pinyue Property Development Co., Ltd. (廣州市品悦房地產開發有限公司, the "Target Company").

Target Company was established on December 2018 and is principally engaged in the property development of Pinxiu Xingyue (品秀星樾, the "Property"), which is located at eastern of Lihong One Road, southern of Kaichuang Avenue, western of Kaiyuan Avenue and northern of Banhe Road, Huangpu District, Guangzhou City, Guangdong Province, PRC. The Property comprises a site area of approximately 282,931.00 sq.m. (in accordance with the Real Estate Title Certificate (Land) – Yue (2019) Guang Zhou Shi Bu Dong Chan Quan No. 06860093) and a residential and commercial development which was under construction thereon as at the Valuation Date.

ASSUMPTIONS

In determining the net assets value of the Target Holding Company and the Target Company, including the value of the Property, the following key assumptions have been made:

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

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

APPROACH AND METHODOLOGY

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

Assets	**Valuation Approach & Methodology**
Deferred tax assets; Other receivables; Cash and cash equivalents	Based on values in audit report of the Target Holding Company and management accounts of the Target Company.
Property, plant and equipment; Properties under development (Current and Non-current)	Based on the Valuation Report of the Property issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.
Long-term equity investments	Summation method is applied to valuation on net assets value of Pinyue. Summation method is to assess the equity value of a company based on the market values of the underlying assets of the entity less the value of any related liabilities.

Liabilities	Valuation Approach & Methodology
Other payables and accrued charges; Amount due to the ultimate holding company; Amounts due to a non controlling interest	Based on values in audit report of the Target Holding Company and management accounts of the Target Company.
Deferred tax liability	Deferred tax liability is estimated based on increase in value from book value of the properties under development and property, plant and equipment to the appraised value. 25% tax rate is applied in this exercise.

BOOK VALUES OF ASSETS AND LIABILITIES

The table below summarizes the book values of the assets and liabilities based on the audit report of the Target Holding Company and management accounts of the Target Company as at the Valuation Date.

Guangzhou Dongyue Industrial Development Co., Ltd.	Book Value *(RMB)*
Total Assets	***590,372,000***
Long-term equity investments	579,771,000
Cash and cash equivalents	10,601,000
Total Liabilities	***582,244,000***
Amount due to the ultimate holding company	582,244,000
Equity	***8,128,000***

* Long-term investment is 51% equity interest Guangzhou Dongyue Industrial Development Co., Ltd. holds in Guangzhou City Pinyue Property Development Co., Ltd..

Guangzhou City Pinyue Property Development Co., Ltd.	Book Value *(RMB)*
Total Assets	***8,557,242,000***
Deferred tax assets	47,870,000
Property, plant and equipment	1,538,676,000
Properties under development (Non-current)	2,199,224,000
Properties under development (Current)	4,150,961,000
Other receivables	177,000
Cash and cash equivalents	620,334,000
Total Liabilities	***8,078,253,000***
Other payables and accrued charges	13,099,000
Amount due to the ultimate holding company	4,113,227,000
Amounts due to a non controlling interest	3,951,927,000
Equity	***478,989,000***

VALUATION COMMENTS

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

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB71,642,000. The details are as follows:

Guangzhou Dongyue Industrial Development Co., Ltd.	**Market Value** *(RMB)*
Total Assets	***653,886,000***
Long-term equity investments	643,285,000
Cash and cash equivalents	10,601,000
Total Liabilities	***582,244,000***
Amount due to the ultimate holding company	582,244,000
Net Assets	***71,642,000***

* Long-term investment is 51% equity interest Guangzhou Dongyue Industrial Development Co., Ltd. holds in Guangzhou City Pinyue Property Development Co., Ltd..

Guangzhou City Pinyue Property Development Co., Ltd.	**Market Value** *(RMB)*
Total Assets	***9,600,381,000***
Deferred tax assets	47,870,000
Property, plant and equipment	
Properties under development (Non-current)	8,932,000,000
Properties under development (Current)	
Other receivables	177,000
Cash and cash equivalents	620,334,000
Total Liabilities	***8,339,038,000***
Other payables and accrued charges	13,099,000
Amount due to the ultimate holding company	4,113,227,000
Amounts due to a non controlling interest	3,951,927,000
Deferred tax liability	260,785,000
Net Assets	***1,261,343,000***
51% of Net Assets (rounded to thousand)	***643,285,000***

LIMITING CONDITIONS

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

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

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

– Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

– The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

– The reported analyses, opinions, and conclusions are independent and objective.

– The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

– The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

– The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

– The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan
Executive Director

Hunter Z.W. He	**Carol X.T. Huang**
Director	Analyst

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with their valuation as at 30 June 2019 of the Chen Tougang Target Holding Company.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F, One Taikoo Place,
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

27 September 2019

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

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the market value of the net assets value Guangzhou Weixin Industrial Development Co., Ltd. (廣州緯信實業發展有限公司, the "Target Holding Company") as at 30 June 2019 (the "Valuation Date"). The report which follows is dated 27 September 2019 (the "Report Date").

The purpose of this valuation is for public disclosure reference.

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

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

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

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

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB56,403,000.

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

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

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INTRODUCTION

This report has been prepared in accordance with instructions from Yuexiu Property Company Limited to express an independent opinion of the market value of the net assets value of Guangzhou Weixin Industrial Development Co., Ltd. (廣州緯信實業發展有限公司, the "Target Holding Company") as at 30 June 2019 (the "Valuation Date"). The report which follows is dated 27 September 2019 (the "Report Date").

PURPOSE OF VALUATION

The purpose of this valuation is for public disclosure reference.

BASIS OF OPINION

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

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

BACKGROUND

Established in November 2018, Guangzhou Weixin Industrial Development Co., Ltd. (廣州緯信實業發展有限公司, the "Target Holding Company") was principally engaged in the development and operation of properties and provision of corporate management services. As of the Valuation Date, the Target Holding Company holds 51% equity interest in Guangzhou City Pinhui Property Development Co., Ltd. (廣州市品薈房地產開發有限公司, the "Target Company").

Target Company was established on December 2018 and is principally engaged in the property development of Pinxiu Xinghan (品秀星瀚, the "Property"), which is located at the southwest of Dongxiao South Road and Dongxin Expressway, Panyu District, Guangzhou City, Guangdong Province, PRC. The Property comprises a site area of approximately 242,094.00 sq.m. (in accordance with the Real Estate Title Certificate (Land) – Yue (2018) Guang Zhou Shi Bu Dong Chan Quan No. 07800288). The construction of residential and commercial complex has not started yet as at the Valuation Date.

ASSUMPTIONS

In determining the net assets value of the Target Holding Company and the Target Company, including the value of the Property, the following key assumptions have been made:

- In valuing the Property, our valuation has been made on the assumption that the seller sells the property interests on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the Property interests.
- As at the valuation date, the relevant land use rights certificate of the Property has not been obtained. Therefore, we have attributed no commercial value to the Property. However, for reference purpose, the market value of the Property as at the Valuation Date hereof would be under the assumption that the relevant title certificates have been fully obtained by Guangzhou Pinhui and the Property could be freely transferred.
- We have relied to a very considerable extent on the information given by the management and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

APPROACH AND METHODOLOGY

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

Assets	**Valuation Approach & Methodology**
Deferred tax assets; Other receivables; Cash and cash equivalents	Based on values in audit report of the Target Holding Company and management accounts of the Target Company.
Property, plant and equipment; Properties under development (Current and Non-current)	Based on the Valuation Report of the Property issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

Assets	Valuation Approach & Methodology
Long-term equity investments	Summation method is applied to valuation on net assets value of Pinhui. Summation method is to assess the equity value of a company based on the market values of the underlying assets of the entity less the value of any related liabilities.

Liabilities	Valuation Approach & Methodology
Other payables and accrued charges; Amount due to the ultimate holding company; Amounts due to a non controlling interest	Based on values in audit report of the Target Holding Company and management accounts of the Target Company.
Deferred tax liability	Deferred tax liability is estimated based on increase in value from book value of the properties under development and property, plant and equipment to the appraised value. 25% tax rate is applied in this exercise.

BOOK VALUES OF ASSETS AND LIABILITIES

The table below summarizes the book values of the assets and liabilities based on the audit report of the Target Holding Company and management accounts of the Target Company as at the Valuation Date.

Guangzhou Weixin Industrial Development Co., Ltd.	**Book Value** *(RMB)*
Total Assets	***550,631,000***
Long-term equity investments	540,280,000
Cash and cash equivalents	10,351,000
Total Liabilities	***541,999,000***
Amounts due to related parties	541,999,000
Equity	***8,632,000***

* Long-term investment is 51% equity interest Guangzhou Weixin Industrial Development Co., Ltd. holds in Guangzhou City Pinhui Property Development Co., Ltd..

Guangzhou City Pinhui Property Development Co., Ltd.	**Book Value**
	(RMB)
Total Assets	***8,793,110,000***
Deferred tax assets	23,061,000
Property, plant and equipment	1,555,132,000
Properties under development (Non-current)	2,427,870,000
Properties under development (Current)	4,049,173,000
Other receivables	2,000
Cash and cash equivalents	737,872,000
Total Liabilities	***8,124,438,000***
Other payables and accrued charges	1,581,685,000
Amount due to the ultimate holding company	3,336,804,000
Amounts due to a non controlling interest	3,205,949,000
Equity	***668,672,000***

VALUATION COMMENTS

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

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB56,403,000. The details are as follows:

Guangzhou Weixin Industrial Development Co., Ltd.	**Market Value**
	(RMB)
Total Assets	***598,402,000***
Long-term equity investments	588,051,000
Cash and cash equivalents	10,351,000
Total Liabilities	***541,999,000***
Amount due to the ultimate holding company	541,999,000
Net Assets	***56,403,000***

* Long-term investment is 51% equity interest Guangzhou Weixin Industrial Development Co., Ltd. holds in Guangzhou City Pinhui Property Development Co., Ltd..

Guangzhou City Pinhui Property Development Co., Ltd.	Market Value *(RMB)*
Total Assets	***9,438,935,000***
Deferred tax assets	23,061,000
Property, plant and equipment	
Properties under development (Non-current)	8,678,000,000
Properties under development (Current)	
Other receivables	2,000
Cash and cash equivalents	737,872,000
Total Liabilities	***8,285,894,000***
Other payables and accrued charges	1,581,685,000
Amount due to the ultimate holding company	3,336,804,000
Amounts due to a non controlling interest	3,205,949,000
Deferred tax liability	161,456,000
Net Assets	***1,153,041,000***
51% of Net Assets (rounded to thousand)	***588,051,000***

LIMITING CONDITIONS

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

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

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

– Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

– The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

– The reported analyses, opinions, and conclusions are independent and objective.

- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

- The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan
Executive Director

Hunter Z.W. He	**Carol X.T. Huang**
Director	Analyst

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2019 of the property interests held by the Target Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F, One Taikoo Place, 979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

27 September 2019

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

Dear Sirs,

In accordance with the instructions of Yuexiu Property Company Limited (the "**Company**") to value the property interests held by Guangzhou Dongyue Industrial Development Co., Ltd. (廣州東越實業發展有限公司) and Guangzhou Weixin Industrial Development Co., Ltd. (廣州緯信實業發展有限公司) (hereinafter together referred to as the "**Target Holding Companies**") and its subsidiaries (hereinafter together referred to as the "**Target Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 June 2019 (the "**valuation date**").

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

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

For the purpose of our valuation, real estate developments under development are those for which the Construction Work Commencement Permit(s) has (have) been issued while the Construction Work Completion and Inspection Certificate(s)/Table(s) of the building(s) has (have) not been issued.

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

For the purpose of our valuation, real estate development for future development is that the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates/Real Estate Title Certificates have been obtained(for land), this also includes that property interests which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates/Real Estate Title Certificates have not been issued.

For the property interest in Group III which was contracted to be acquired by the Target Group in the PRC, the Target Group have entered into agreements with the relevant government authorities. Since the Target Group have not yet obtained the State-owned Land Use Rights Certificates/Real Estate Title Certificates and/or the payment of the land premium has not yet been fully settled as at the valuation date, we have attributed no commercial value to the property interest.

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

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

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

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

We have been shown copies of title documents including Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – King & Wood Mallesons, concerning the validity of the property interests in the PRC.

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

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

Inspection of the properties was carried out in July 2019 by Ms. Queenie Lu and Mr. Jack Zhu. Ms. Queenie Lu is a China Real Estate Appraiser and China Land Appraiser. They have more than 3 to 10 years' experience in the valuation of properties in the PRC.

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

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

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

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

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property interest held under development by the Target Group in the PRC
Group II: Property interest held for future development by the Target Group in the PRC
Group III: Property interest contracted to be acquired by the Target Group in the PRC
"–": Not applicable or not available

No.	Property	Market value in existing state as at 30 June 2019 *RMB* Group I:	Market value in existing state as at 30 June 2019 *RMB* Group II:	Market value in existing state as at 30 June 2019 *RMB* Group III:	The total market value in existing state as at 30 June 2019 *RMB* Total:
1	Pinxiu Xingyue located at the eastern side of Lihong One Road, the southern side of Kaichuang Avenue, the western side of Kaiyuan Avenue and the northern side of Banhe Road Huangpu District Guangzhou City Guangdong Province The PRC (品秀星樾)	32,000,000	8,900,000,000	–	8,932,000,000
2	A parcel of land of Pinxiu Xinghan located at the southwestern side of the junction of Dongxiao South Road and Dongxin Expressway Panyu District Guangzhou City Guangdong Province The PRC (品秀星瀚地塊)	–	–	No commercial value *(see note below)*	No commercial value
	Total:	32,000,000	8,900,000,000	Nil	8,932,000,000

Note:

1. As at the valuation date, the relevant land use rights certificate of property no. 2 has not been obtained. Therefore, we have attributed no commercial value to such property. However, for reference purpose, we are of the opinion that the market value of property no. 2 as at the valuation date would be RMB8,678,000,000, assuming the relevant title certificates have been fully obtained and such property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2019 *RMB*
1.	Pinxiu Xingyue located at the eastern side of Lihong One Road, the southern side of Kaichuang Avenue, the western side of Kaiyuan Avenue and the northern side of Banhe Road Huangpu District Guangzhou City Guangdong Province The PRC (品秀星樾)	Pinxiu Xingyue comprises a parcel of land with a site area of approximately 282,931 sq.m., which is being developed into a residential and commercial development. Portions of Pinxiu Xingyue were under development (the "CIP") as at the valuation date and are scheduled to be completed in October 2019. The construction of the remaining portion of Pinxiu Xingyue (the "bare land") had not been commenced as at the valuation date. As at the valuation date, the property comprises the CIP and the bare land. The classification, usage and planned gross floor area details of the property were set out in note 6. As advised by the Company and the Target Group, the development cost (including the land cost) of the CIP of the property is estimated to be approximately RMB38,900,000, of which approximately RMB28,600,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term of 70 years or residential use.	As at the valuation date, portions of the property were under construction whilst the remaining portion of the property was bare land.	8,932,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 440112-2018-000001 dated 4 December 2018 and a Revision Contract dated 21 December 2018, the land use rights of a parcel of land with a site area of approximately 282,931 sq.m. were contracted to be granted to Guangzhou City Pinyue Property Development Co., Ltd. (廣州市品悦房地產開發有限公司, "**Luogang Target Company**", a 51%-owned subsidiary of the Target Holding Companies). The property will have a planned plot ratio accountable gross floor area of approximately 605,472 sq.m., the total land premium was RMB7,624,410,000.

2. Pursuant to a Construction Land Planning Permit – Sui Guo Tu Gui Hua Di Zheng (2018) No. 612, permissions towards the planning of a parcel of land with a site area of approximately 312,376 sq.m. have been granted to Luogang Target Company.

3. Pursuant to a Real Estate Title Certificate – Yue (2019) Guang Zhou Shi Bu Dong Chan Quan No. 06860093, the land use rights of the property with a site area of approximately 282,931 sq.m. have been granted to Luogang Target Company for a term of 70 years for residential use.

4. Pursuant to 14 Construction Work Planning Permits – Sui Gui Hua Zi Yuan Jian Zheng (2019) Nos. 799, 1603 to 1605, 1854, 1856, 1857, 1958, 2104, 2119, 2532, 2561, 2598 and 2674 in favour of Luogang Target Company, portions of Pinxiu Xingyue with a total gross floor area of approximately 196,462.60 sq.m. have been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – No. 440112201906200101 in favour of Luogang Target Company, permissions by the relevant local authority were given to commence the construction of a public library of the property with a gross floor area of approximately 2,000 sq.m.

6. According to the information provided by the Company and the Target Group, the planned gross floor area of the property is set out as below:

Group	**Usage**	**Planned Gross Floor Area (sq.m.)**	**Nos. of car parking space**
Group I — held under development by the Target Group	Public library	2,000	
	Sub-total:	2,000	N/A
Group II — held for future development by the Target Group	Residential	528,372	
	Retail	12,634	
	Ancillary	103,006	
	Basement	289,783	6,480
	Sub-total:	933,795	6,480
	Total:	935,795	6,480

7. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB43,000,000.

8. Our valuation has been made on the following basis and analysis:

   For the bare land of the property in Group II, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB14,000 to RMB17,000 per sq.m. basis for residential use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characters between the comparable properties and the property to arrive at our assumed unit rate.

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

   a. Luogang Target Company is legally and validly in possession of the land use rights of the property and is the sole legal user of the land use rights of the property. Luogang Target Company has the rights to legally occupy, use, earn and dispose of the land parcel of the property; and

   b. Luogang Target Company has legally obtained the Construction Work Planning Permits and the Construction Work Commencement Permit in respect of the CIP of the property.

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

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (for building)	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Portion
f.	Construction Work Commencement Permit	Portion
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table	No

11. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at 30 June 2019** (RMB)
Group I — held under development by the Target Group in the PRC	32,000,000
Group II — held for future development by the Target Group in the PRC	8,900,000,000
Total:	8,932,000,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2019 *RMB*	Market value for reference (for property without proper title certificate)* as at 30 June 2019 *RMB*
2.	A parcel of land of Pinxiu Xinghan located at the southwestern side of the junction of Dongxiao South Road and Dongxin Expressway Panyu District Guangzhou City Guangdong Province The PRC (品秀星瀚地塊)	Pinxiu Xinghan comprises a parcel of land with a site area of approximately 242,094 sq.m. which will be developed into a residential and commercial development. The covering plate of Chen Tougang Metro Station (陳頭崗地鐵車站蓋板) which located on the property was under preliminary construction and the construction of Pinxiu Xinghan had not been commenced as at the valuation date. As advised by the Company and the Target Group, upon completion, the development of Pinxiu Xinghan will have a total planned gross floor area of approximately 876,741 sq.m. The details are set out as below: **Usage** / **Planned Gross Floor Area** *(sq.m.)* Residential: 525,287 Retail: 17,346 Ancillary: 70,227 Basement (inclusive of 3,718 car parking spaces): 263,881 **Total:** 876,741 The land use rights of the property have been granted for a term of 70 years expiring on 30 January 2089 for residential use.	As at the valuation date, the covering plate of Chen Tougang Metro Station was under preliminary construction whilst the remaining portion of the property was bare land.	No commercial value *(see note 5)*	8,678,000,000

* For this property in Group III without proper title certificate contracted to be acquired by the Target Group, we have attributed no commercial value to it. Although this property is without proper title certificate, we have assessed the market value of it for reference purpose only assuming its title certificate has been obtained and it can be freely transferred by the Target Group and there is no legal impediment and onerous cost in obtaining the title certificate.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 440113-2018-000011 dated 12 December 2018 and a Revision Contract dated 27 December 2018, the land use rights of a parcel of land with a site area of approximately 242,094 sq.m. were contracted to be granted to Guangzhou City Pinhui Property Development Co., Ltd. (廣州市品薈房地產開發有限公司, "**Chen Tougang Target Company**", a 51%-owned subsidiary of the Target Holding Companies). The property will have a planned plot ratio accountable gross floor area of approximately 583,447 sq.m., the total land premium was RMB6,368,680,000.

2. Pursuant to a Construction Land Planning Permit – Sui Guo Tu Gui Hua Di Zheng (2019) No. 3, permission towards the planning of a parcel of land with a site area of approximately 242,094 sq.m. have been granted to Chen Tougang Target Company.

3. Pursuant to a Construction Work Planning Permit – Sui Gui Hua Zi Yuan Jian Zheng No. (2019)2552 in favour of Chen Tougang Target Company, portions of the property with a total gross floor area of approximately 2,500 sq.m. have been approved for construction.

4. Pursuant to a State-owned Land Use Rights Grant Contract – No. 440113-2018-000011, Chen Tougang Target Company is obligated to build covering plate and other related ancillary facilities of metro depot with a total estimated construction cost of approximately RMB1.72 billion, the ownership of which needs to be transferred to the Guangzhou Metro once completed.

5. As at the valuation date, the relevant land use rights certificate of the property has not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB8,678,000,000, assuming the relevant title certificates have been fully obtained and the property could be freely transferred.

6. Subsequent to the valuation date, Chen Tougang Target Company had obtained a Real Estate Title Certificate – Yue (2019) Guangzhou City Bu Dong Chan Quan No. 07800288. Pursuant to this Real Estate Title Certificate, the land use rights of the property with a site area of approximately 242,094 sq.m. have been granted to Chen Tougang Target Company for a term of 70 years expiring on 30 January 2089 for residential use.

7. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation of the property for reference purpose, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB16,000 to RMB22,000 per sq.m. basis for residential use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characters between the comparable properties and the property to arrive at our assumed unit rate.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser that Chen Tougang Target Company is legally and validly in possession of the land use rights of the property and is the sole legal user of the land use rights of the property. Chen Tougang Target Company has the rights to legally occupy, use, earn and dispose of the property.

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

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (for building)	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Portion
f.	Construction Work Commencement Permit	No
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table	No

10. For the purpose of this report, the property is classified into the group as "Group III – contracted to be acquired by the Target Group in the PRC" according to the purpose for which it is held.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive (if any) of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Acquisitions 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 total number of issued Shares as at the Latest Practicable Date
Lin Zhaoyuan *(Note 1)*	Beneficial Owner/ Beneficiary of a trust	2,917,343	0.019%
Lin Feng *(Note 2)*	Beneficial Owner/ Beneficiary of a trust/ Spouse interest	5,043,901	0.033%
Li Feng	Beneficial Owner	172,900	0.001%
Liu Yan	Beneficial Owner	17,000	0.0001%
Yu Lup Fat Joseph	Beneficial Owner	4,000,000	0.026%
Lee Ka Lun	Beneficial Owner	3,200,000	0.021%
Lau Hon Chuen Ambrose	Beneficial Owner	4,841,200	0.031%

Note 1: Mr. Lin Zhaoyuan is an executive Director who is interested in 2,917,343 Shares, out of which 977,970 Shares are owned by him as beneficial owner, 1,939,373 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management.

Note 2: Mr. Lin Feng is an executive Director who is interested in 5,043,901 Shares, out of which 2,343,434 Shares are owned by him as beneficial owner, 2,600,467 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management and 100,000 Shares are held by his spouse.

Long positions in the shares and underlying shares of associated corporations

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares in associated corporation	% of the total number of issued shares in associated corporation as at the Latest Practicable Date
Lin Zhaoyuan	Yuexiu Transport Infrastructure Limited	Beneficial Owner	120	0.00001%
Liu Yan	Yuexiu Transport Infrastructure Limited	Beneficial Owner	485	0.00003%
Lau Hon Chuen Ambrose	Yuexiu Transport Infrastructure Limited	Beneficial Owner	195,720	0.012%

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 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 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 and the chief executive (if any) of the Company, companies and/or persons (other than a Director or chief executive (if any) of the Company) 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 position in the shares and underlying shares

Name of Shareholder	Capacity in which interests are held	Number of Shares	% of the total number of issued Shares as at the Latest Practicable Date
GZYX *(Note 1)*	Interests of controlled corporations	6,159,447,662	39.78%
Yue Xiu Enterprises (Holdings) Limited	Interests of controlled corporations	6,159,447,662	39.78%
Guangzhou Metro *(Note 2)*	Interests of controlled corporations	3,080,973,807	19.90%

Note 1: 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

(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) 273,266,271 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.

Note 2: 3,080,973,807 Shares were held by GZ Metro Subscriber, which was wholly-owned by Guangzhou Metro.

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 (if any) 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. Lin Zhaoyuan is a director of Excellence and Bosworth; (ii) Mr. Li Feng is a director of Excellence and Bosworth; and (iii) Ms. Chen Jing is a director of Excellence. Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had an interest in the Shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

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

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2018, 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 close 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 CONTRACTS OF THE GROUP

During the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Group and are or may be material:

(1) the Transaction Documents;

(2) the subscription agreement dated 27 February 2019 entered into between the Company and the GZ Metro Subscriber, in relation to the subscription of 3,080,973,807 Shares by the GZ Metro Subscriber (the "**GH Subscription**");

(3) a set of agreements dated 27 February 2019 for the acquisitions of an 86% interest in 廣州市品秀房地產開發有限公司 (Guangzhou City Pinxiu Property Development Company Limited*) ("**Pinxiu**") (the "**GH Acquisitions**"), namely,

(a) the 51% equity transfer agreement entered into among Easyway (as seller), GZYX, 廣州雲湖房地產開發有限公司 (Guangzhou Yunhu Real Estate Development Co., Ltd.*) (a subsidiary of 廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd., a company indirectly owned as to 95% by the Company and 5% by GZYX) ("**GZ Yunhu**") (as purchaser) and Pinxiu (as the target company) in relation to the transfer of 51% equity interest in Pinxiu for a consideration of RMB10,413,000;

(b) the 51% loan assignment agreements entered into among GZYX (as assignor), GZ Yunhu (as assignee) and each of: (i) 廣州東曉實業發展有限公司 (Guangzhou Dongxiao Industrial Development Company Limited*) ("**GZ Dongxiao**") (as debtor) in relation to the assignment of loan in the principal amount of RMB671,500,000); and (ii) Pinxiu (as debtor) in relation to the assignment loan in the principal amount of RMB6,954,780,801 and the refinancing of loans in the amount of RMB102,000,000 plus the accrued interest, respectively;

(c) the initial cost amount agreement entered into among Easyway, GZ Yunhu (as payer) and GZYX (as payee) for a consideration of approximately RMB259,448,030 to cover the cost of capital attributable to the amount advanced by GZYX to Guangzhou Metro and other incidental costs;

(d) the 35% equity transfer agreement entered into among Guangzhou Metro (as seller), GZ Yunhu (as purchaser), GZ Dongxiao and Pinxiu in relation to the transfer of 35% equity interest in Pinxiu for a consideration of RMB479,988,000;

(e) the 35% loan assignment agreement entered into among Guangzhou Metro (as assignor), GZ Yunhu (as loan assignee) and Pinxiu (as debtor) in relation to the assignment of loan in the principal amount of RMB4,772,888,785 and the refinancing of loans in the amount of RMB70,000,000 plus the accrued interest;

(4) the equity transfer agreement dated 21 December 2018 entered into between 慶和投資有限公司 (Kingwell Investment Ltd.) (an indirectly wholly-owned subsidiary of the Company) as seller, and 廣州嘉創經濟信息諮詢有限公司 (Guangzhou Jiachuang Economic Information Consulting Co., Ltd.*) (a wholly-owned subsidiary of 廣州明睿一號實業投資合夥企業(有限合夥) (Guangzhou Ming Rui No. I Business Investment Enterprise (Limited Partnership)*), the general partner is 廣州越秀中聯股權投資基金管理有限公司 (Guangzhou Yuexiu United Equity Investment Fund Management Company Limited*), which is in turn indirectly owned as to 45% by the Company), as purchaser, in relation to the disposal of 77.79% equity interest in 廣州市越匯房地產有限公司 (Guangzhou Yuehui Property Co., Ltd.*) at a consideration of RMB2,417,500,000;

(5) the equity transfer agreement dated 30 May 2018 entered into between 廣州明睿一號實業投資合夥企業(有限合夥) (Guangzhou Ming Rui No. I Business Investment Enterprise (Limited Partnership)*) (an independent third party) as seller, and 廣州盈勝投資有限公司 (Guangzhou Yingsheng Investments Co., Ltd.*) (a 95.48%-owned subsidiary of the Company) as purchaser, in relation to the acquisition of 100% of the equity interest in the 廣州雲秀房地產有限公司 (Guangzhou Yunxiu Real Estate Co., Ltd.*) at a consideration of RMB116,000,000;

(6) the call option exercise agreement dated 14 February 2018 entered into between 廣州力超經濟信息諮詢有限公司 (Guangzhou Superland Economic & Information Consulting Company Limited*) (an indirectly wholly-owned subsidiary of the Company), and 廣州越秀仁達四號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No. 4 Business Investment Enterprise (Limited Partnership)*) (the general partner of which is an entity of which GZYX is a majority shareholder), in relation to the exercise of call option by 廣州力超經濟信息諮詢有限公司 (Guangzhou Superland Economic & Information Consulting Company Limited*) at a consideration of RMB3,321,250,000; and

(7) the acquisition deed dated 14 November 2017 entered into between Guangzhou Construction & Development Holdings (China) Limited (a wholly-owned subsidiary of the Company) as seller, Yuexiu REIT 2017 Company Limited (a special purpose vehicle of Yuexiu Real Estate Investment Trust, which was owned as to approximately 35.3% by the Company as at the date of the acquisition deed) as purchaser, and the Company as guarantor in relation to (i) the sale of 67.0% of the Wuhan Property through the purchase of the entire equity interest of Fully Cheer Management Limited and (ii) the assignment of shareholder's loan from Guangzhou Construction & Development Holdings (China) Limited, at an aggregate consideration of RMB2,280,606,300.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up to, up to and including the Latest Practicable Date.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

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

Name	Qualification
Yu Ming Investment Management Limited	a corporation licensed under the SFO to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
PricewaterhouseCoopers	Certified Public Accountants
Jones Lang LaSelle Corporate Appraisal and Advisory Limited	Independent property valuer and independent valuer

As at the Latest Practicable Date, none of Yu Ming Investment Management Limited, PricewaterhouseCoopers or Jones Lang LaSalle Corporate Appraisal and Advisory 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 any of them have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

Each of Yu Ming Investment Management Limited, PricewaterhouseCoopers and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (9:00 a.m. to 5:30 p.m.) from Monday to Friday (both days inclusive) 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) each of the material contracts referred to in the paragraph headed "Material contracts of the Group" in this Appendix VII;

(c) annual reports of the Company for the years ended 31 December 2016, 2017 and 2018, respectively;

(d) interim results announcement of the Company for the six months ended 30 June 2019;

(e) the letter from the Board, the text of which is set out on pages 7 to 27 of this circular;

(f) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 28 to 30 of this circular;

(g) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 59 of this circular;

(h) the accountant's reports from PricewaterhouseCoopers in respect of the financial information of the Target Group, the text of which are set out in Appendix II to this circular;

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

(j) the valuation report dated 27 September 2019 in respect of the valuation on the Luogang Target Holding Company as set out in Appendix VA of this circular;

(k) the valuation report dated 27 September 2019 in respect of the valuation on the Chen Tougang Target Holding Company as set out in Appendix VB of this circular;

(l) the valuation report dated 27 September 2019 in respect of the valuation on the New Metro Property Projects as set out in Appendix VC of this circular;

(m) the written consents referred to in the paragraph headed "Experts' Qualifications and Consents" in this Appendix VI;

(n) the circular of the Company dated 18 March 2019 in relation to the GH Subscription and GH Acquisitions; and

(o) this circular.

11. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Yu Tat Fung, a Solicitor of the High Court of Hong Kong.

(b) The registered office of the Company is located at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

(c) The share registrar of the Company is Tricor Abacus Limited, which is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The authorized representatives of the Company are Ms. Chen Jing, executive Director and Mr. Yu Tat Fung, company secretary.

(e) The auditor of the Company is PricewaterhouseCoopers, which is located at 22/F, Prince's Building, Central, Hong Kong.

(f) The English texts of this circular shall prevail over the Chinese texts.

* *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)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the "**Meeting**") of Yuexiu Property Company Limited (the "**Company**") will be held at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 22 October 2019 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions. Words and expressions that are not expressly defined in this notice of general meeting shall bear the same meaning as that defined in the shareholder circular dated 27 September 2019 (the "**Circular**").

ORDINARY RESOLUTION

1. THE TRANSACTIONS

"**THAT**:

(a) each of the Transaction Documents and the consummation of transactions contemplated thereunder as more particularly described in the Circular and on the terms and conditions set out in the Transaction Documents be hereby approved, ratified and confirmed; and

(b) any one Director be and is hereby authorised, for and on behalf of the Company, to complete and do all such acts or things (including signing and executing all such documents, instruments and agreements as may be required, including under seal where applicable) 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 Transaction Documents and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith."

2. RE-ELECTION OF DIRECTOR

"**THAT** Mr. Ouyang Changcheng be re-elected as a non-executive Director and the board of Directors be authorised to fix his remuneration."

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

Hong Kong, 27 September 2019

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof (as the case may be).

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

(5) Where there are joint registered holders of any share, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the share(s) shall be accepted to the exclusion of the votes of the other joint registered holders.

(6) The register of members of the Company will be closed from Friday, 18 October 2019 to Tuesday, 22 October 2019, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the general meeting of the Company to be held on Tuesday, 22 October 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 17 October 2019.