THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

(1) MAJOR TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN GUANGZHOU HONG SHENG PROPERTY DEVELOPMENT CO., LTD.*

(2) RE-ELECTION OF DIRECTORS

(3) NOTICE OF GENERAL MEETING

AND

(4) CLOSURE OF REGISTER OF MEMBERS

A notice convening the GM (as defined herein) of Yuexiu Property Company Limited to be held at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 11 May 2016 at 10:00 a.m. is set out on pages GM-1 to GM-2 of this Circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of Yuexiu Property Company Limited, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so wish.

25 April 2016

CONTENTS

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

"**Affiliates**"	has the meaning given to the term "關聯方" in the Equity Transfer Agreement
"**Announcement**"	the announcement of the Company dated 13 April 2016 in relation to, among other things, the Proposed Disposal and the transactions contemplated thereunder
"**Applicable Laws**"	in respect of any person, means public, effective and applicable provisions, laws, administrative regulations, local laws and regulations, articles, decisions, orders, judicial interpretations, judgments, rulings, arbitral awards and other regulatory documents applicable to such person or binding on such person or such person's assets
"**Assignment of Loan**"	the assignment of the Loan on a dollar-for-dollar basis by the Loan Assignor to the Purchaser pursuant to the Loan Assignment Agreement
"**Board**"	the board of Directors
"**Business Day**"	a day (other than a Saturday, Sunday or public holiday in the PRC)
"**Circular**"	this circular to be issued by the Company in accordance with the Listing Rules in respect of the Proposed Disposal
"**Company**"	Yuexiu Property Company Limited, a limited liability company incorporated under the laws of Hong Kong and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123) and on the Singapore Exchange Securities Trading Limited
"**Completion Date**"	the date on which completion of the Equity Transfer takes place
"**Conditions Precedent**"	the conditions precedent to completion of the Equity Transfer as set out in the Equity Transfer Agreement
"**Directors**"	the directors of the Company
"**Earnest Money**"	has the meaning given to it in the section headed "Equity Transfer Agreement — Consideration and payment terms" in this Circular

"**Equity Transfer**"	the transfer of 49% of the equity interest in the Project Company by the Seller to the Purchaser pursuant to the Equity Transfer Agreement
"**Equity Transfer Agreement**"	the equity transfer agreement entered into between the Seller, the Purchaser and the Project Company dated 13 April 2016 regarding the Equity Transfer
"**Equity Transfer Consideration**"	RMB2,327,460,000, being the consideration for the Equity Transfer payable by the Purchaser to the Seller
"**GM**"	the general meeting of the Company to be convened to consider and, if thought fit, to approve the Equity Transfer Agreement, the Loan Assignment Agreement and the transactions contemplated thereunder
"**Group**"	the Company and its subsidiaries
"**GZYX**"	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團有限公司), a limited liability company incorporated under the laws of the PRC, which is beneficially wholly-owned by the Guangzhou Municipal People's Government of the PRC and which is the ultimate controlling shareholder of the Company
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Independent Third Party(ies)**"	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"**Independent Valuer**"	Greater China Appraisal Limited
"**Land**"	collectively, the four parcels of land (Lot nos. AB3103004, AB3103067, AB3103083 and AB3103085) located at Hongyun Chemical Painting Factory, South China Expressway, Tonghe Village, Baiyuan District, Guangzhou City, Guangdong Province, the PRC
"**Latest Practicable Date**"	20 April 2016, being the latest practicable date prior to the printing of this Circular for ascertaining information contained herein

"**Listing-For-Sale Process**"	the listing-for-sale process carried out via the Guangzhou Enterprises Mergers and Acquisitions Services Centre
"**Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange
"**Loan**"	49% of the entire amount owing from the Project Company to the Loan Assignor and its Affiliates as at Completion Date
"**Loan Assignment Agreement**"	the loan assignment agreement entered into between the Loan Assignor, the Purchaser, the Project Company and the Seller dated 13 April 2016 regarding the Assignment of Loan
"**Loan Assignor**" or "**GZCCD**"	Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司), a limited liability company incorporated under the laws of the PRC and which is indirectly owned as to 95% by the Company and as to 5% by GZYX
"**Loan Consideration**"	the consideration for the Assignment of Loan payable by the Purchaser to the Loan Assignor, which shall be equivalent to the face value of the Loan
"**Loan Reference Date**"	12 April 2016
"**Long Stop Date**"	30 June 2016
"**PBOC**"	The People's Bank of China
"**Ping An Leasing**"	Ping An International Financial Leasing Co., Ltd.* (平安國際融資租賃有限公司), a limited liability company incorporated under the laws of the PRC and which is a financial leasing company principally engaged in purchasing leasable assets and providing financial leasing services
"**Ping An Real Estate**"	Ping An Real Estate Co., Ltd.*(平安不動產有限公司), a limited liability company incorporated under the laws of the PRC and which is a real estate asset management company principally engaged in the development and investment of real estate (including commercial properties) in the PRC, industrial logistics, strategic and foreign investments and health resort businesses
"**PRC**"	the People's Republic of China and for the purpose of this Circular excluding Hong Kong, Macau Special Administrative Region and Taiwan
"**Project**"	Yue Xiu - Xing Hui Yun Cheng* (越秀●星匯雲城) project which is being developed on the Land

"**Project Company**"	Guangzhou Hong Sheng Property Development Co., Ltd.* (廣州宏勝房地產開發有限公司), a limited liability company incorporated under the laws of the PRC and which is an indirect wholly-owned subsidiary of the Company
"**Proposed Disposal**"	collectively, the Equity Transfer and the Assignment of Loan in accordance with the terms of the Equity Transfer Agreement and the Loan Assignment Agreement respectively
"**Purchaser**"	Guangzhou Lianheng Real Estate Co., Ltd.* (廣州聯衡置業有限公司), a limited liability company incorporated under the laws of the PRC, which is indirectly owned as to 50% by Ping An Real Estate, as to 25% by Shenzhen Ping An Financial Technology and as to 25% by Ping An Leasing
"**Record Date**"	11 May 2016, being the date by reference to which the eligibility of the Shareholders to participate in the GM will be determined
"**RMB**"	Renminbi, the lawful currency of the PRC
"**Seller**"	Prime Profit International Holdings Limited (栢盈國際集團有限公司), a limited liability company incorporated under the laws of Hong Kong and which is an indirect wholly-owned subsidiary of the Company
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"**Shares**"	ordinary share(s) of the Company
"**Shareholders**"	holders of the Shares
"**Shenzhen Ping An Financial Technology**"	Shenzhen Ping An Financial Technology Consulting Co., Ltd.* (深圳平安金融科技諮詢有限公司), a limited liability company incorporated under the laws of the PRC and which is a financial advisory services company principally engaged in the development of online platforms for financial services
"**sq.m.**"	square metres
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Subsequent Funding**"	has the meaning given to it in the section headed "Management of the Project Company — Subsequent capital injection and shareholders loans" in this Circular
"**Total Consideration**"	the aggregate consideration payable by the Purchaser for the Equity Transfer and the Assignment of Loan

"**Transaction Documents**"	collectively, the Equity Transfer Agreement, the articles of association of the Project Company and any other documents to be signed by the Seller, the Purchaser and/or the Project Company pursuant to the Equity Transfer Agreement including any amendments, supplements and appendices thereto
"**%**"	per cent.

* *For identification purpose only*

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

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

Executive Directors:
ZHANG Zhaoxing *(Chairman)*
ZHU Chunxiu
LIN Zhaoyuan
LI Feng
OU Junming
OU Shao

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

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

25 April 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN GUANGZHOU HONG SHENG PROPERTY DEVELOPMENT CO., LTD.*

(2) RE-ELECTION OF DIRECTORS

(3) NOTICE OF GENERAL MEETING

AND

(4) CLOSURE OF REGISTER OF MEMBERS

INTRODUCTION

Reference is made to the Announcement.

On 13 April 2016, the Seller, the Purchaser and the Project Company entered into the Equity Transfer Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, 49% of the equity interest in the Project Company for a consideration of RMB2,327,460,000. Simultaneously, the Loan Assignor, the Purchaser, the Project Company and the Seller entered into the Loan Assignment Agreement, pursuant to which the Loan Assignor agreed to assign, and the Purchaser agreed to accept the assignment of, the Loan on a dollar-for-dollar basis.

The purpose of this Circular is to provide you with, among other things: (i) further information regarding the Proposed Disposal; (ii) other information as required by the Listing Rules; and (iii) the notice of the GM.

EQUITY TRANSFER AGREEMENT

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

Date

13 April 2016

Parties

The Seller (as seller), the Purchaser (as purchaser) and the Project Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Asset to be disposed of

Pursuant to the Equity Transfer Agreement, the Seller agreed to sell, and the Purchaser agreed to purchase, 49% of the equity interest in the Project Company.

Consideration and payment terms

The Purchaser has paid earnest money in the amount of RMB200,000,000 (the "**Earnest Money**") to the Guangzhou Enterprises Mergers and Acquisitions Services Centre upon its registration to participate in the bidding process for the acquisition of the 49% equity interest in the Project Company by way of the Listing-For-Sale Process. Pursuant to the Equity Transfer Agreement, such Earnest Money has been converted into the deposit for the Equity Transfer on the date of the Equity Transfer Agreement, and will automatically form part of the Equity Transfer Consideration upon fulfilment of the conditions precedent set out below.

The Equity Transfer Consideration less (i) any withholding tax in respect of the Equity Transfer that the Purchaser is required to withhold according to the Applicable Laws; and (ii) the Earnest Money shall be payable in full by the Purchaser to the Seller (via a custodian account designated by the Guangzhou Enterprises Mergers and Acquisitions Services Centre) within 3 Business Days upon fulfilment of the conditions precedent set out below.

The Equity Transfer Consideration represents a premium of approximately 32.5% over the net asset value attributable to 49% equity interest in the Project Company as at 29 February 2016, and a premium of approximately 7.6% over the fair value of a 49% equity interest in the Project Company as at 29 February 2016 as valued by the Independent Valuer, respectively. There has been no material difference between the net asset value attributable to 49% equity interest in the Project Company as at 29 February 2016 and that as at the Latest Practicable Date.

Conditions precedent

Completion of the Equity Transfer is conditional upon the satisfaction of the following conditions precedent:

(i) the Transaction Documents having been executed and having become effective, and that all parties thereto having obtained the necessary approvals and made the necessary disclosures (if applicable) in accordance with their respective articles of association and Applicable Laws;

(ii) the Equity Transfer Agreement and matters in connection with the Equity Transfer having been approved by the Shareholders at the GM; and

(iii) approval of the Equity Transfer Agreement by the Guangzhou Municipal Commission of Commerce having been obtained.

Each of the Seller and the Purchaser will endeavour to procure the fulfilment of the above conditions precedent before 31 May 2016, failing which the Purchaser has the option to extend such date to the Long Stop Date or to terminate all of the Transaction Documents. None of the above conditions precedent may be waived by any party to the Equity Transfer Agreement.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Completion of the Equity Transfer

After the certificate on the Mergers & Acquisitions Certification (企業產權交易證明) has been issued by the Guangzhou Enterprises Mergers and Acquisitions Services Centre, the Purchaser shall arrange for registration of the Equity Transfer with the State Administration for Industry and Commerce of the PRC or its relevant local counterpart. Completion of the Equity Transfer is deemed to have taken place when the above registration is completed and the 49% equity interest in the Project Company is registered under the name of the Purchaser.

Compensation

The defaulting party shall be required to compensate the non-defaulting party for the loss suffered by the non-defaulting party caused by the defaulting party's breach (as defined in the Equity Transfer Agreement) of the Equity Transfer Agreement.

Termination

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

(i) agreement in writing between the parties;

(ii) force majeure or if the purpose of the Equity Transfer is unable to be realised; or

(iii) termination pursuant to any applicable laws, rules and regulations or pursuant to other terms of the Equity Transfer Agreement. For example, if the conditions precedent in the Equity Transfer Agreement cannot be fulfilled on or before the Long Stop Date, all Transaction Documents shall be terminated immediately thereafter unless otherwise agreed by all of the parties to the Equity Transfer Agreement.

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

Management of the Project Company

As a result of the completion of the Equity Transfer, the Project Company will become a joint venture that is owned as to 51% and 49% by the Seller and the Purchaser, respectively. Notwithstanding the above, the Project Company will continue to remain as a subsidiary of the Company and the financial results of the Project Company will continue to be consolidated into those of the Company after completion of the Proposed Disposal. The Seller and the Purchaser will cooperate to jointly develop the Project through the Project Company, with the Seller being mainly responsible for the overall management of the Project.

Subsequent capital injection and shareholders loans

At the request of the Project Company and subject to the maximum amount of RMB7,200,000,000 (which maximum amount includes the paid-up registered capital of the Project Company of RMB3,598,000,000), the Seller (and/or its Affiliates) and the Purchaser (and/or its Affiliates) shall provide shareholders loans ("**Subsequent Funding**") to the Project Company in proportion to their respective equity interests in the Project Company for the purpose of satisfying its funding needs. As such, following completion of the Proposed Disposal, the Loan (which would then be owing from the Project Company to the Purchaser) shall constitute part of the pro-rata Subsequent Funding to be provided by the Purchaser (and/or its Affiliates) while such portion of the amount then owing from the Project Company to the Loan Assignor and its Affiliates (which are also the Seller's Affiliates) that has not been assigned to the Purchaser shall constitute part of the pro-rata Subsequent Funding to be provided by the Seller (and/or its Affiliates).

In the event that the Project Company needs additional funds to satisfy the development, construction or operating costs of the Project that is in excess of the Subsequent Funding contemplated above, the Project Company shall first arrange for external financing. To the extent that the Project Company is unable to obtain such external financing, the Seller and the Purchaser shall provide shareholders loans in proportion to their respective equity interests in the Project Company for such amount and in such manner as may be approved by way of a resolution of the directors of the Project Company.

Winding-Up

Where the Project Company has adequate funds but the Project is unable to proceed due to delays, material legal disputes or material administrative penalties, the Purchaser has the right to convene a board meeting of the Project Company to explore possible solutions with the Seller. If the parties are unable to reach a consensus on the solutions, the Seller and the Purchaser shall jointly put the Project Company into liquidation. Should that occur, the Project Company's debts (including employee related liabilities and tax liabilities) as well as its winding-up fees will be paid in accordance with the priorities stated in the Applicable Laws. Thereafter, the remaining assets of the Project Company will be distributed to its shareholders on a pro-rata basis.

Board composition

The Project Company shall have three directors, two of whom shall be appointed by the Seller and one of whom shall be appointed by the Purchaser. The chairman shall be a director appointed by the Seller.

Matters that require majority board approval

The approval of the majority of the directors of the Project Company is required for certain major matters of the Project Company, including (among others):

(i) change in capital, de-merger, merger, suspension, dissolution, winding up, restructuring, change in corporate form or amendments to the articles of association or joint venture agreement of the Project Company;

(ii) business plans, investment strategies, financial arrangements, asset disposal, accounts and budgets of the Project Company;

(iii) profit distribution and recovery of losses;

(iv) setting up subsidiaries, joint venture(s) or other foreign investments;

(v) transactions between the Project Company and its Affiliates (except for shareholders loans) or loans to any shareholders or third parties;

(vi) appointment, dismissal and remuneration of the general manager and chief financial officer; and

(vii) bringing litigation or arbitration claims which will change or alter any shareholders' rights, obligations or responsibilities, or dilute the shareholder equity ratio.

Matters that require unanimous approval from shareholders

The Project Company may not, without unanimous consent of the Seller and the Purchaser: (i) change the nature or scope of its business; or (ii) enter into any transactions which are not on an arm's length basis.

Profit distribution arrangements

The profits of the Project Company shall be shared by the Seller and the Purchaser in proportion to their respective equity interests in the Project Company.

Restriction on transfer

Save as otherwise provided in the Equity Transfer Agreement, neither the Seller nor the Purchaser shall transfer any part of its equity interest in the Project Company without the prior written consent of the other party.

LOAN ASSIGNMENT AGREEMENT

Date

13 April 2016

Parties

The Loan Assignor (as assignor), the Purchaser (as assignee), the Project Company (as debtor) and the Seller

Assets to be assigned

Pursuant to the Loan Assignment Agreement, the Loan Assignor agrees to assign, and the Purchaser agrees to accept the assignment of, the Loan.

Consideration and payment terms

As at the Loan Reference Date, the entire amount owing from the Project Company to the Loan Assignor and its Affiliates is RMB3,171,825,785.31. Based on the assumption that the entire amount owing from the Project Company to the Loan Assignor and its Affiliates as at the Completion Date is the same as that as at the Loan Reference Date, the amount of the Loan to be assigned on the Completion Date (being 49% of the entire amount owing from the Project Company to the Loan Assignor and its Affiliates as at the Completion Date) shall be RMB1,554,194,634.80. The Loan Consideration shall be paid by the Purchaser to the Loan Assignor in the following manner:

(i) the Loan Consideration less RMB350,000,000 (the "**First Tranche Loan Consideration**") shall be paid within 3 Business Days after the Completion Date; and

(ii) the balance of the Loan Consideration of RMB350,000,000 (the "**Second Tranche Loan Consideration**") shall be paid on or before 20 December 2016.

If the Second Tranche Loan Consideration is paid in full after the date of payment of the First Tranche Loan Consideration, the Purchaser shall make a one-off payment to the Loan Assignor as the capital cost of the Second Tranche Loan Consideration for the period from the date of payment of the First Tranche Loan Consideration to the actual payment date of the Second Tranche Loan Consideration in full, which shall be calculated based on the unpaid portion of the Second Tranche Loan Consideration and applying an interest rate which is 30% above the base lending rate announced by PBOC for a comparable period of time.

Completion of the Assignment of Loan

Completion of the Assignment of Loan shall take place when the First Tranche Loan Consideration is paid by the Purchaser to the Loan Assignor, upon which all of the Loan Assignor's rights and interests in the Loan shall be transferred to the Purchaser.

BASIS OF DETERMINATION OF TOTAL CONSIDERATION

The Total Consideration is estimated to be RMB3,881,654,634.80 (assuming that the entire amount owing from the Project Company to the Loan Assignor and its Affiliates as at the Completion Date is the same as that as at the Loan Reference Date). Such amount has been determined in accordance with the rules and procedures of the Listing-For-Sale Process in relation to the Proposed Disposal and is equivalent to the initial bidding price. The portion of the initial bidding price which relates to the consideration payable for a 49% equity interest in the Project Company was determined with reference to the fair value of a 49% equity interest in the Project Company as at 29 February 2016 as valued by the Independent Valuer, being approximately RMB2,163,000,000. On the other hand, the portion of the initial bidding price which relates to the consideration payable for the Loan represents the dollar-for-dollar value of the Loan. Further details of the valuation conducted by the Independent Valuer will be set out in the valuation report to be appended in the Circular.

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

FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The Group is expected to record a gain (after tax) of approximately RMB310,000,000 as a result of the Proposed Disposal, which will be credited to reserves as the Project Company will continue to remain as a subsidiary of the Company after completion of the Proposed Disposal. Following the completion of the Proposed Disposal, the reserves of the Group are expected to increase by approximately RMB310,000,000, while the total assets of the Group are expected to increase by approximately RMB3,819,000,000, and the total liabilities of the Group are expected to increase by approximately RMB1,554,000,000 (assuming that the entire amount owing from the Project Company to the Loan Assignor and its Affiliates as at the Completion Date is the same as that as at the Loan Reference Date).

USE OF PROCEEDS

It is expected that the Company will receive net proceeds of approximately RMB3,819,000,000 from the Proposed Disposal, after taking into account the related transaction costs of approximately RMB6,000,000. It is expected that: (i) approximately RMB2,327,000,000, representing approximately 60% of the net proceeds, will be used for refinancing the Group's existing debts; and (ii) and approximately RMB1,492,000,000, representing approximately 40% of the net proceeds, will be used for general working capital purposes. As at the Latest Practicable Date, the Company has not identified any potential targets for investment and has not entered into any agreement in relation to any potential investments.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The scale of the Project is relatively large and its development cycle is relatively long. The introduction of a collaborator can diversify the operating risks, enhance the efficiency of using the Project Company's own funds and expedite the recycling of cash, which is in-line with the Company's development strategy crystallising a win-win partnership in project development. The Proposed Disposal represents a good opportunity for the Group to introduce a comprehensively strong and reputable financial institution as a strategic partner to jointly explore and seize new business opportunities in the future. The Directors also consider that the Proposed Disposal represents a good opportunity for the Group to realise its capital investment in the Project Company which would enhance the overall financial position of the Company, while still maintaining majority control of the Project Company and the business of the development of the Project carried out by it.

Taking into account the net proceeds from the Proposed Disposal and the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the Proposed Disposal, the Equity Transfer Agreement and the Loan Assignment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PROJECT COMPANY AND THE PROJECT

The Project Company

The Project Company was established on 26 November 2014 solely for the purpose of developing the Project, and is currently engaged in the ownership, development and management of the Project. As such, the joint venture that the Project Company will become as a result of the Proposed Disposal will be engaging in a single purpose project/transaction which is of a revenue nature in the ordinary and usual course of business of the Company. The Project Company is the current legal owner of the land use rights of the Land on which the Project is being developed.

The unaudited consolidated financial information of the Project Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the financial years ended 31 December 2014 and 31 December 2015, respectively, is as follows:

	For the financial year ended 31 December 2014	**For the financial year ended 31 December 2015**
	RMB'000	*RMB'000*
Revenue	—	—
Net (loss) before taxation	(3,163)	(9,520)
Net (loss) after taxation	(3,163)	(6,349)

The total assets and the net asset value of the Project Company as at 29 February 2016 were RMB6,942,434,329.20 and RMB3,583,961,669.15, respectively.

The Project

The Project, when completed, will be a large-scale mixed-use residential and commercial project, comprising (among others) 30 blocks of high-rise bungalow flats, a large shopping area, an exclusive clubhouse and a first-class school. The Project is currently being developed in phases. The first phase is estimated to be completed in 2018 and the last phase is estimated to be completed in 2022.

The Land on which the Project is being developed consists of four parcels of land with a total site area of approximately 198,938 sq.m., of which the land use rights of 147,736 sq.m. has been granted to the Project Company. The permitted gross floor area of the Project is approximately 460,765 sq.m.. It is conveniently located at the centre of Guangzhou and is close to the subway station.

As at the Latest Practicable Date, the Project is in still in the early stage of development, and no building or construction has been completed yet. As such, no pre-sales has commenced as at the Latest Practicable Date.

INFORMATION ON THE COMPANY, THE SELLER AND THE PURCHASER

The Company

The Company is principally engaged in property development and investment, mainly focusing on properties in Guangzhou and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

The Seller

The Seller is an investment holding company in the Group.

The Loan Assignor

The Loan Assignor is principally engaged in the development, operation, leasing and management of properties.

The Purchaser

The Purchaser is principally engaged in the development, operation and management of properties and the provision of real estate intermediary services.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal is more than 25% but less than 75%, the Proposed Disposal constitutes a major transaction of the Company, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

PROPOSED RE-ELECTION OF DIRECTORS

In accordance with Article 98 of the Company's articles of association, Messrs Lin Zhaoyuan and Ou Shao (who were appointed as executive Directors with effect from 10 November 2015) shall hold office only until the next following general meeting of the Company. Accordingly, they will retire at the GM.

Both Messrs Lin Zhaoyuan and Ou Shao, being eligible, will offer themselves for re-election at the GM. Biographical details of the above Directors, which are required to be disclosed by the Listing Rules, are set out below.

1. Mr Lin Zhaoyuan, aged 46, was appointed Vice Chairman, executive Director and general manager of the Company in November 2015. Mr Lin is also a deputy general manager of GZYX and Yue Xiu Enterprises (Holdings) Limited, a non-executive director and chairman of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)) and chairman of the board of GZCCD. Mr Lin holds a bachelor degree of economics and a master of business administration degree of the Sun Yat-Sen University and the qualification of mechanical engineer. He had been chairman of the board of Guangzhou Paper Group Limited and an assistant to General Manager of GZYX and Yue Xiu Enterprises (Holdings) Limited. Mr Lin has relatively extensive work experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is more forward-looking and innovative in corporate operations and management. Mr Lin has not held any directorships in other listed public

companies, the securities of which are listed in Hong Kong or overseas, in the last three years. He is also a director of a substantial shareholder of the Company. Mr Lin has a personal interest in 373,464 Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr Lin and he will be subject to retirement by rotation and re-election at general meetings of the Company in accordance with the articles of association of the Company. Mr Lin is entitled to receive a salary of RMB1,490,000 per annum from the Company. In addition, Mr Lin is entitled to a discretionary bonus to be determined with reference to his job responsibilities and the performance and profitability of the Company and its subsidiaries.

There is no other matter concerning Mr Lin that needs 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.

2. Mr Ou Shao, aged 41, was appointed executive Director and general manager, operations of the Company in November 2015. Mr Ou is also a deputy general manager of the Company and the general manager of sales centre. Further, Mr Ou is the vice chairman of the board and general manager of GZCCD; and chairman of the board of the Company's project companies for real estate development in Wuhan, Hangzhou, Shenyang, Yantai and Qingdao. Mr Ou holds a bachelor degree of economics of the Sun Yat-Sen University, a master degree of business administration of the City University of Macau and the qualification of senior economist. He had been secretary to the board of Guangzhou City Construction & Development Group Co. Ltd., the general manager of Investment Department, assistant to general manager of GZCCD and general manager of each project company. Mr Ou has about 20 years of experience in real estate industry and has achieved notable work results in investment, sales, project development and corporate management and played an active part in the Company's layout throughout the country. Mr Ou has not held any directorships in other listed public companies, the securities of which are listed in Hong Kong or overseas, in the last three years. Save as disclosed above, Mr Ou does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company nor have any interest in the Shares within the meaning of Part XV of the SFO.

   There is no service contract between the Company and Mr Ou and he will be subject to retirement by rotation and re-election at general meetings of the Company in accordance with the articles of association of the Company. Mr Ou is entitled to receive a salary of RMB1,335,000 per annum from the Company. In addition, Mr Ou is entitled to a discretionary bonus to be determined with reference to his job responsibilities and the performance and profitability of the Company and its subsidiaries.

   There is no other matter concerning Mr Ou that needs 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 on 11 May 2016, 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 transfers of Shares (together with the relevant Share certificates) must be lodged with Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on 10 May 2016.

GM

The GM will be held at 10:00 a.m. on 11 May 2016 at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of the GM, which is set out on pages GM-1 to GM-2 of this Circular. Whether or not you are able or intend to attend and vote at the GM in person, you are requested to complete and return the enclosed form of proxy to the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the GM or any 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. Any Shareholder with a material interest in the Equity Transfer Agreement, the Loan Assignment Agreement and the transactions contemplated thereunder and its close associate is required to abstain from voting on the relevant resolutions. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or any of its close associates has a material interest in the Equity Transfer Agreement, the Loan Assignment Agreement and the transactions contemplated thereunder, therefore no Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the GM.

You can vote at the GM if you are a Shareholder at the close of business on 11 May 2016, which is referred to in this Circular as the Record Date. You will find enclosed with this Circular the notice of the GM (please refer to pages GM-1 to GM-2 in this Circular) and a form of proxy for use for the GM.

VOTING BY POLL

All the resolutions set out in the notice of the GM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company. On a poll, every 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.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the respective terms of the Proposed Disposal, the Equity Transfer Agreement, the Loan Assignment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend all Shareholders to vote in favour of the relevant resolutions in relation thereof to be proposed at the GM.

ADDITIONAL INFORMATION

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

Shareholders and potential investors of the Company should be aware that the Proposed Disposal and the transactions contemplated thereunder are subject to certain conditions being satisfied, therefore the Proposed Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 are disclosed in the annual reports of the Company for the years ended 31 December 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015, respectively. These annual and interim reports are published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.yuexiuproperty.com):

- annual report of the Company for the year ended 31 December 2012 published on 21 March 2013, pages 83 to 192;
- annual report of the Company for the year ended 31 December 2013 published on 21 March 2014, pages 75 to 180;
- annual report of the Company for the year ended 31 December 2014 published on 27 February 2015, pages 75 to 176; and
- interim report of the Company for the six months ended 30 June 2015 published on 20 August 2015, pages 22 to 61.

2. INDEBTEDNESS

Borrowings

At the close of business on 29 February 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings and bank overdraft of approximately RMB37,866 million, comprising: (1) secured bank borrowings of approximately RMB14,169 million; (2) unsecured bank borrowings of approximately RMB15,766 million; and (3) unsecured other borrowings and overdraft of approximately RMB7,931 million.

The secured bank borrowings of the Group are secured by: (1) certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment and land use rights; and (2) assignment by the creditor/lender of rights under shareholder's loans between certain companies in the Group.

Contingent Liabilities

As at 29 February 2016, the 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 amounting to approximately RMB11,157 million. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding amount of principal together with accrued interest and penalty

owed by the defaulted purchasers to the banks and the Group is 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; and (2) certain subsidiaries of the Group jointly and severally provided guarantee in respect of loans amounting to approximately RMB2,675 million borrowed by certain associated entities and a jointly controlled entity of the Company, including a syndicated loan amounting to approximately RMB2,336 million borrowed by Yuexiu Real Estate Investment Trust.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 29 February 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the 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 Group since 29 February 2016 up to and including the Latest Practicable Date.

3. 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 2015, being the date to which the latest published audited accounts of the Group were made up to, up to and including the Latest Practicable Date.

4. WORKING CAPITAL

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

5. FINANCIAL AND BUSINESS PROSPECTS OF THE GROUP

In 2015, the revenue of the Group was approximately RMB22.12 billion, representing a year-on-year increase of 40.8%. Profit attributable to equity holders was approximately RMB1.01 billion, representing a year-on-year decrease of 59.0%. Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and net exchange loss recognised in the consolidated income statement) was approximately RMB1.24 billion, representing a year-on-year decrease of 21.2%.

In 2015, amid the complicated and rapidly changing property market environment, positive sales results were achieved by seizing the market recovery opportunities brought about by favourable policies implemented since the second quarter, adopting various flexible sales strategies and innovative measures such as internet finance and e-commerce marketing, as well as capturing the upgrading demand released in the market.

In 2015, the Group recorded aggregate contracted sales of approximately RMB24.85 billion, and the gross floor area of the aggregate contracted sales was approximately 2.27 million sq.m., representing a year-on-year increase of 12.9% and 20.5%, respectively. The full year contracted sales for 2015 hit a new record.

Looking ahead in 2016, the global economy faces greater challenges and uncertainties as the global economic uncertainties are on the rise. The domestic economy of the PRC has also entered into a stage of slower growth. In view of the demand for maintaining macroeconomic growth, it is anticipated that the current easing governmental policies in the PRC will remain unchanged.

In the first quarter of 2016, supported by the continued easing governmental policies, the PRC real estate market continued to maintain a strong sales growth momentum. In light of the rapid-rising property prices in certain cities, measures aimed at stabilizing real estate markets have recently been implemented in certain cities in the PRC. Therefore, it is expected that in the short term, the sales volume of properties in such cities may be curbed with sales prices tending to be stable. However, as the real estate sector plays a stabilizing role in the development of the macro economy of the PRC, it is expected that the PRC real estate market as a whole will continue to grow.

Looking forward, the Group will focus on three core regions, namely Greater Guangzhou, Central China and Yangtze River Delta and strive to strengthen and optimise the business of development and operation of residential and commercial properties, seeking sustainable and steady growth of its core businesses. The Group aims to further improve its debt structure, reduce financing costs and ensure that there is sufficient liquidity in order to strengthen the financial support for the development of the Group's business. The Group will also actively take strategic actions to cope with changes in the market and establish itself as a competitive, well performing and leading real estate developer in the PRC.

Upon completion of the Proposed Disposal, there will be no significant change in the Company's business model or the management and development plan for the Project Company and the Project.

The following is the text of a letter, a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 29 February 2016 of the real property interests held by the Project Company.

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

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

25 April 2016

The Board of Directors
Yuexiu Property Company Limited
26/F, Yue Xiu Building
160-174 Lockhart Road
Wanchai
Hong Kong

Dear Sir,

Re: Valuation of four parcels of land (Lot nos. AB3103004, 3103067, 3103083 and 3103085) located at Hongyun Chemical Painting Factory, South China Expressway, Tonghe Village, Baiyuan District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from Yuexiu Property Company Limited (the "Company") for us to value the captioned real property interest, details of which are provided in the enclosed valuation certificate, in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interest as at 29 February 2016 (referred to as the "valuation date").

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

I. BASIS OF VALUATION

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

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

II. VALUATION METHODOLOGY

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

III. ASSUMPTIONS

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

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

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

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

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

IV. TITLESHIP INVESTIGATION

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

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

V. LIMITING CONDITIONS

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

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

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

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

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

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

VI. OPINION OF VALUE

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

VII. REMARKS

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

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

Site inspection of the real property was conducted in January 2016 by Miss. Candice Y. Q. Li (BSc). The construction works of the real property has been commenced.

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

We enclose herewith our valuation certificate.

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

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

Note: *Mr. Gary Man is a Chartered Surveyor who has more than 27 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.*

VALUATION CERTIFICATE

Real property interest held for development

Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 29 February 2016
Four parcels of land (Lot nos. AB3103004, 3103067, 3103083 and 3103085) located at Hongyun Chemical Painting Factory, South China Expressway, Tonghe Village, Baiyuan District, Guangzhou City, Guangdong Province, the PRC	The real property comprises four parcels of land (AB3103004, 3103067, 3103083 & 3103085) with a total site area of approximately 198,938 square metres, of which 147,736 square metres is granted. According to the information provided by the Company, the permitted gross floor area of the real property is approximately 460,765 square metres. The land use rights of the real property are held for township residential, science and educational, park and greenery uses and for a term of 70 years for residential use.	Upon our site inspection, the construction works of the real property has been commenced.	RMB7,700,000,000 (Renminbi Seven Billion and Seven Hundred Million)

Notes:

(i) According to a State-owned Construction Land Use Rights Grant Contract (the "Land Contract") entered into between 廣州市國土資源和房屋管理局 (translated as "Guangzhou Municipal Land Resources and Housing Administrative Bureau") (the "Land Vendor") and Prime Profit International Holdings Limited ("Prime Profit") dated 24 November 2014, the land use rights of four land parcels with a total site area of approximately 198,938 square metres, of which 147,736 square metres was contracted to be granted to Prime Profit at a consideration of RMB6,450,710,000 for township residential, science and educational, park and greenery uses for term of 70 years for residential uses, from the date of the land parcels handed-over. The Land Contract contains, inter alia, the following salient conditions:

Usage of main structure	:	Residential, Primary and secondary schools uses
Plot ratio	:	Lot No. AB3103004 ≤3.5 (including underground)
Total gross floor area	:	Lot No. AB3103004 ≤460,765 square metres
Height restriction	:	Lot No. AB3103004 ≤100 metres
Building covenant	:	Commence construction before 24 May 2016 Completion before 24 May 2019

(ii) According to a Revision Contract of the Land Contract dated 29 December 2014, the purchaser of the four land parcels has been changed from Prime Profit to 廣州宏勝房地產開發有限公司 (translated as Guangzhou Hong Sheng Property Development Co., Ltd., "Guangzhou Hong Sheng").

(iii) According to a Construction Land Use Planning Permit (Sui Gui Di Zheng (2015) No.53) issued by Town Planning Bureau of Guangzhou dated 9 March 2015, the proposed use of the land parcels with site area of approximately 198,938 square metres was approved.

(iv) According to an Approval about Agreement in Principle on Detailed Construction Planning《關於原則同意修建性詳細規劃的批覆》(Sui Gui Pi (2015) No.52) dated 27 March 2015, the permitted planning contains, inter alia, the following salient conditions:

Lot No. AB3103004	Plot ratio	:	3.50
	Density	:	23.6%
	Greenery	:	35%
	Permitted Gross floor area	:	460,765 square metres
Lot No. AB3103067	Plot ratio	:	0.8
	Density	:	24.9%
	Greenery	:	30%
	Permitted Gross floor area	:	12,871 square metres

(v) As advised by the Company, the total construction cost incurred up to the valuation date is about RMB44,000,000 and the estimated cost to completion of the real property is about RMB2,856,000,000. According to the information from the Company, the whole development is developed by phases. The first phase is estimated to be completed in 2018 and the last phase is estimated to be completed in 2022.

(vi) The capital value of the real property, as if completed according to the development proposals as described above as at the valuation date would be RMB15,000,000,000.

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

(a) Guangzhou Hong Sheng has legally obtained the construction land use rights of the subject land parcels and is the only legal owner and can legally and effectively enjoy the construction land use rights. Guangzhou Hong Sheng has the right to transfer and mortgage the land parcels and the buildings erected thereon;

(b) The Land Contract has been signed and the land grant premium has been settled in full by Guangzhou Hong Sheng, the Land Use Right Certificate of the land parcels and other relevant certificates will be officially granted without legal impediment;

(c) The subject land parcels are not subject to any mortgage or judicial seizure; and

(d) The land parcels held by Guangzhou Hong Sheng are relatively large in size, they will be developed in phases. According to the Land Contract, the development on the land parcels has to be completed before 24 May 2019 ("**Completion Date**"). According to the actual situation of the real estate development in Guangzhou, when development with similar large size being developed in phases, the government would permit portion of the development being developed in later phase to be completed after the Completion Date, provided that the earlier phase completed before the Completion Date.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 29 February 2016 of the 49% equity interests in Guangzhou Hongsheng Property Development Limited.

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

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

25 April 2016

The Board of Directors
Yuexiu Property Company Limited
26/F, Yue Xiu Building
160-174 Lockhart Road
Wanchai
Hong Kong

Dear Sirs/Madams,

Valuation of 49% Equity Interest in [1]Guangzhou Hongsheng Property Development Limited

In accordance with the instructions from Yuexiu Property Company Limited (the "Company"), we were engaged to perform a valuation analysis in relation to the fair value of 49% equity interest (the "Equity Interest") in Guangzhou Hongsheng Property Development Limited (the "Target Company") as at 29 February 2016 (the "Valuation Date"). As at the Valuation Date, the Target Company owned the property under development project namely[2] Yue Xiu — Xing Hui Yun Cheng (the "Project") which was located at Hongyun Chemical Painting Factory, South China Expressway, Tonghe Village, Baiyuan District, Guangzhou City, Guangdong Province, the People's Republic of China.

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

1 For identification purpose only. The official Chinese name: "廣州宏勝房地產開發有限公司"
2 For identification purpose only. The official Chinese name: "越秀 • 星匯雲城"

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

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

I. PURPOSE OF ENGAGEMENT

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

II. SCOPE OF SERVICES

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

III. BASIS OF VALUATION

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

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

IV. PREMISE OF VALUE

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

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

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

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

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

This valuation is prepared on a going concern basis.

V. LEVEL OF VALUE

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

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

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

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

This valuation is prepared on a non-marketable minority interest basis.

VI. SOURCES OF INFORMATION

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

1. Management accounts of the Target Company as at 29 February 2016;

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

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

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

5. Refinancing plan prepared by the management of the Company;

6. Land appreciation tax calculation breakdown prepared by the management of the Company;

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

8. Valuation report for the equity interest of the Target Company as at 31 December 2015 prepared by the PRC valuer dated 25 February 2016.

In addition, we have performed site inspection for the Project in January 2016. The visit involved the following:

- Visit of property under development of the Target Company;
- Visit of other property under development projects in Buiyuan District which nearby the location of the Project; and
- Q&A session with the management of the Target Company and the Company to obtain information about the background and prospect of the Project.

As at the site visit date, the construction of the property has been commenced. Show flats were ready for the potential customers' visit. However, pre-sale was not yet started.

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

VII. TRANSACTION OVERVIEW

Per discussion with the management of the Company, the transaction would be a disposal of 49% equity interest in the Target Company and the 49% of the related liabilities. The scale of the Project held by the Target Company is huge and the development cycle is relatively long. The management of the Company expected that the introduction of such transaction could help to diversify the operating risks, enhance the efficiency of financing and expedite the recycling of cash, in which in line with the Company's development strategy. The determination of the consideration on the 49% equity interest will make reference to the fair value of the Equity Interest as at the Valuation Date.

VIII. ECONOMIC OVERVIEW

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

1. Nominal GDP Growth in China

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

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

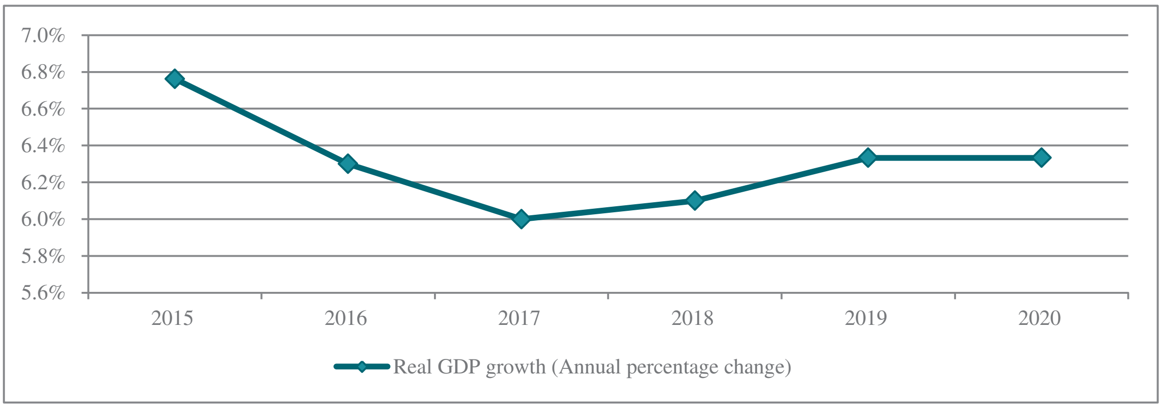
	2011A	2012A	2013A	2014A	2015F
Real GDP Annual Growth Rate (%)	9.50	7.75	7.69	7.30	6.81
Inflation (%)	5.40	2.65	2.62	1.99	1.50

Source: World Economic Outlook Database (October 2015), International Monetary Fund

According to analysts' comment of Barclays bank, the Likonomics will put Chinese economy into a sustainable path, and it was estimated the annual growth for the next 10 years would lie at between 6% and 7%. According to data published by National Bureau of Statistics ("NBS"), China's economy grew by 6.9% in 2015, compared with 7.3% a year earlier, making its slowest growth in a quarter of century. In the view of slowing growth trend, the IMF cut its GDP growth forecast for China. In accordance with the forecast published by International Monetary Fund ("IMF"), the projection of the real GDP growth in the next five year would follow a steady decline from 6.8% in 2015 to 6.3% in 2019, which is in line with Mr Li's administration direction.

The following diagram shows the real GDP annual growth rate forecasts by IMF from 2015 to 2020.

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



Source: World Economic Outlook Database (October 2015), International Monetary Fund

According to "World Economic Outlook Database (Oct 2015)" by IMF, the Chinese economy was ranked 2nd in terms of size in 2014, it possesses the greatest growth prospect among top six economies in the world; the Chinese economy was forecasted to grow from USD10,357 billion in 2014 to USD17,100 billion in 2020 with a compound annual growth rate ("CAGR") of 8.7%. It is worth noting that the gap between the United States and China was projected to be narrowing over time.

Table 8 - 2 Worldwide GDP

	Country	GDP - Billions of the United States Dollar ("USD")						
		2014A	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**
1	United States	17,348	17,968	18,698	19,556	20,493	21,404	22,294
2	China	10,357	11,385	12,254	13,174	14,272	15,621	17,100
3	Japan	4,602	4,116	4,171	4,342	4,446	4,591	4,747
4	Germany	3,874	3,371	3,473	3,595	3,721	3,847	4,005
5	France	2,950	2,865	3,055	3,232	3,426	3,617	3,852
6	Brazil	2,834	2,423	2,488	2,587	2,690	2,802	2,940

Source: World Economic Outlook Database (October 2015), International Monetary Fund

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

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

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

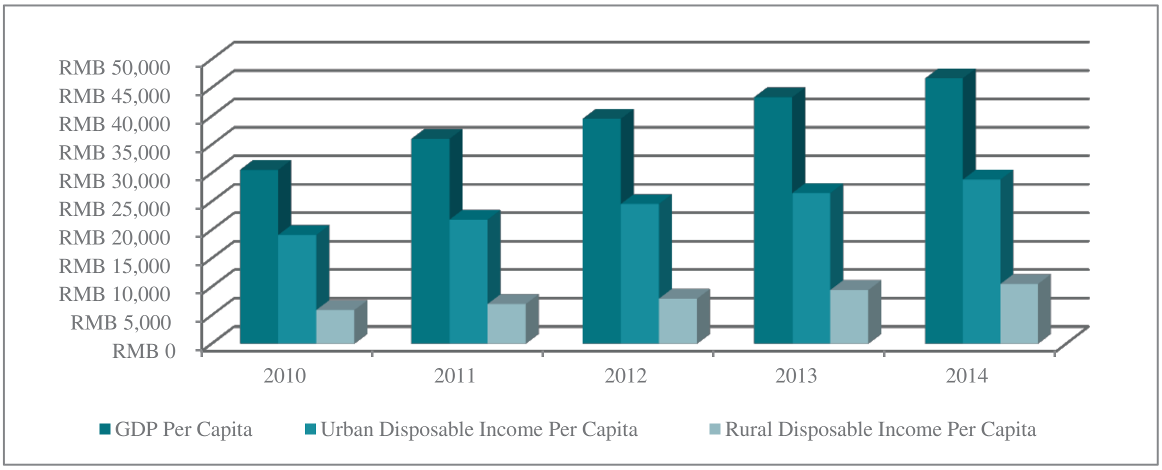
While the GDP growth of China's market stalls, the other markets start recovering. The World Bank commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker must clamp down on lending to prevent asset bubbles. Unless the Chinese economy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

2. GDP per Capita in China

Improving standard of living was one of the main issues in social aspect of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the NBS of China, annual disposable income per capita of urban households in China has increased from RMB19,109 in 2010 to RMB28,844 in the 2014, representing a CAGR of approximately 10.8%; annual disposable income per capita of rural households has increased from RMB5,919 in 2010 to RMB10,489 in 2014, representing a CAGR approximate to 15.4%. In comparison to the inflationary figures, the annual inflation rate is between 1.99% and 5.40%. Hence, there were improvement of the standard of living of Chinese people overall in the period from 2010 to 2014.

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

Figure 8 - 2 GDP per Capita of China



Source: National Bureau of Statistics of China

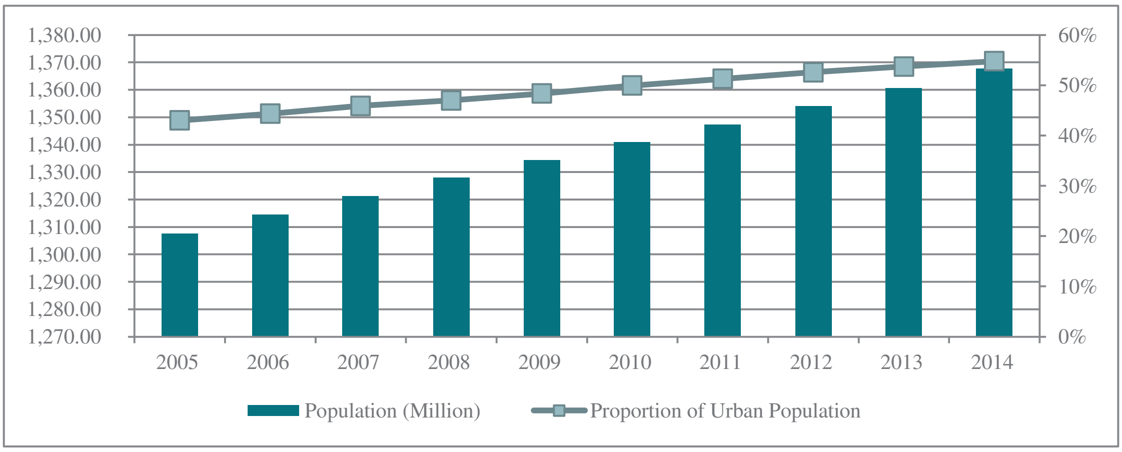
3. Population Growth

The population of China accounts for almost one fifth of the world's population. According to the National Bureau of Statistics of China, the population has grown from 1.31 billion in 2005 to 1.37 billion in 2014, representing a CAGR of approximately 0.50%.

The proportion of urban population in China increased from 42.99% in 2005 to 54.77% in 2014, representing a CAGR of approximately 2.73%.

The following diagram shows the population growth and corresponding urban population growth in China from 2005 to 2014.

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



Source: National Bureau of Statistics of China

Population growth is expected to be steady in this decade. Population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steady growth in population together with improving living standard continuously derives a strong demand on housing and transportation. On the other hand, the unemployment rate was recorded at around 4.1% for the past few years, and it is estimated the status will not change from 2015 to 2019.

Table 8 - 3 Population Forecast of China

	2014A	2015F	2016F	2017F	2018F	2019F
Population (Million)	1,367.820	1,374.957	1,381.131	1,389.343	1,396.592	1,403.880
Unemployment rate (%)	4.09	4.09	4.09	4.09	4.09	4.09

Source: World Economic Outlook Database (October 2015), International Monetary Fund

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

Table 8 - 4 Age Distribution of China

Age distribution	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0-14 (Million)	265	260	257	252	247	223	222	223	223	226
15-64 (Million)	942	951	958	967	974	999	1,003	1,004	1,006	1,005
>=65 (Million)	101	104	106	110	113	119	123	127	132	138

Source: National Bureau of Statistics of China

4. **Inflation**

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

In comparison to the inflation of world's average and of emerging and developing economies, the outlook of China's inflation is far left behind. The continual appreciation on Chinese currency as well as the dominating role of export in China economy was the primary reasons. However, RMB depreciation started since mid-2015. According to Bloomberg, the USD/RMB rate was increased from 6.2010 in June 2015 to 6.4937 in December 2015. It is expected that the depreciation if RMB would become much stronger in the near future for two main reasons. First, with the Federal Reserve raising interest in December 2015, a new round of currency depreciation is expected to incur in emerging countries. Second, the latest Purchase Managers' Index ("PMI") of China in December 2015 was far behind expectation and the A-share experienced four fusing at the beginning of 2016 with severe volatility; thus investors have strong hedging desires. The change of USD/RMB rate for the second half of 2015 and inflation forecast are shown below:

Table 8 - 5 USD/RMB rate for the second half of 2015

	Jun 2015	Sep 2015	Dec 2015
RMB per USD	6.2010	6.3560	6.4937

Source: USD-CNY X-Rate (Monthly), Bloomberg

Table 8 - 6 Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices Changes (%)						
	2014A	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**
World	3.45	3.31	3.42	3.56	3.47	3.50	3.51
Emerging and developing economies	5.07	5.61	5.09	4.89	4.61	4.54	4.45
China	1.99	1.50	1.80	2.20	2.50	3.00	3.00

Source: World Economic Outlook Database (October 2015), International Monetary Fund

5. **Government Policy**

During the end of the period of 12th Five-year plan, China will maintain stable economic policies and a prudent monetary policy, the GDP growth is rebalancing at an achievable rate of 7.1% amid lower export demand in 2015, said by Premier Li.

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

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

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

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

IX. INDUSTRY OVERVIEW

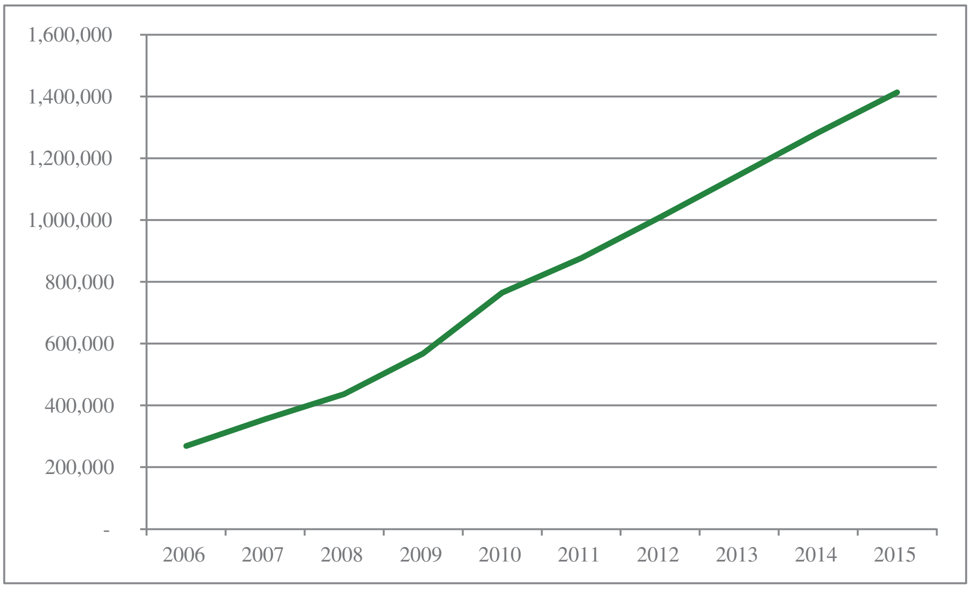
The Real Estate Development and Management industry in China is primarily engaged in the development and management of real estate projects, infrastructure and buildings, as well as the reselling of developed real estate projects.

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

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

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

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

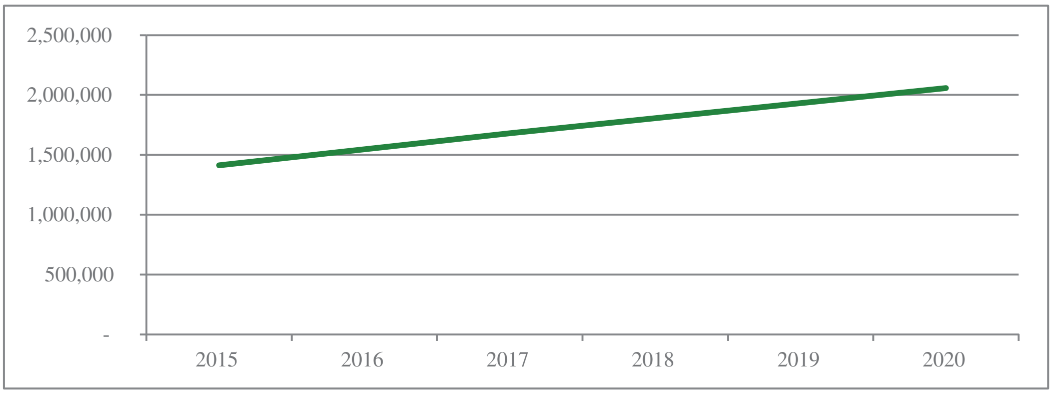


Source: IBISWorld and National Bureau of Statistics of China

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

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

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



Source: IBISWorld

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

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

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

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

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

Street	2014 RMB	2015 RMB	Increase (%)
Huang Shi	19,731	33,502	
Jin Sha	19,651	21,380	
Jing Xi	30,559	40,954	
San Yuan Li	36,963	38,553	
Shi Jing	15,650	14,985	
Song Zhou	24,781	24,163	
Tang Jing	24,134	23,538	
Tong He	22,979	24,353	
Yong Ping	17,641	28,142	
Average	23,565	27,730	18%

Source: http://g4c.laho.gov.cn/

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

X. COMPANY OVERVIEW

10.1. Yuexiu Property Company Limited

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

10.2. Guangzhou Hongsheng Property Development Limited

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

XI. VALUATION METHODOLOGY

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

11.1. **Market Approach**

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

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

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

11.2. **Income Approach**

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

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

We considered but rejected the income approach to arrive at the fair value of the Equity Interest due to the Project was still at development stage and the pre-sale was not yet commenced as at the Valuation Date. The projection of the timing of cash flow was subject to uncertainties which affected profitability. However, the management of the Company expected that the pre-sale of the Project will be commenced at mid 2016. A business plan and cash flow forecast have been developed by the management of the Company with best estimate. The generation of economic benefit streams in future could be estimated based on the business plan. This provides a reasonable basis to apply the income approach for cross-checking purpose in this valuation.

11.3. **Asset Approach**

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

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

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

XII. GENERAL ASSUMPTIONS OF VALUATION

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

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

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

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

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

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

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

XIII. ASSET APPROACH

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

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

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

As at 29 February 2016	Note	Book Value RMB	Fair value Adjustment RMB	Fair Value RMB
Current Assets				
Inventories	2	6,688,305,666	1,011,694,334	7,700,000,000
Other receivables	1	394,958		394,958
Bank and cash balances	1	253,733,705		253,733,705
Total current assets		**6,942,434,329**		**7,954,128,663**
Current Liabilities				
Other payables	1	(3,358,472,660)		(3,358,472,660)
Total current liabilities		**(3,358,472,660)**		**(3,358,472,660)**
Net Asset Value of 100% Equity Interest				**4,595,656,003**
Net Asset Value of 49% Equity Interest			**49%**	**2,251,871,441**
Discount for Lack of Control Adjustment	3		**2%**	**(45,037,429)**
				2,206,834,013
Discount for Lack of Marketability Adjustment	4		**2%**	**(44,136,680)**
Fair Value of 49% Equity Interest				**2,162,697,332**
Fair Value of 49% Equity Interest (rounded)				**2,163,000,000**

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

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

Note 2: Inventories represent land cost and property development cost incurred for the Project. For details about the valuation of the inventories, please refer to the property valuation report in Appendix IIA of this circular.

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

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

XIV. DISCOUNT FOR LACK OF CONTROL ("DLOC")

The degree of ownership control ranges from 100% controlling ownership to a minority with no control attributes at all. A controlling interest in a business reflects the substantial influence the shareholder can exert over the company for which such influence can be wielded to enhance the value of the investment. However, minority shareholders usually have little or no influence over business decisions. As such, the DLOC may have to be applied when valuing their interests. In this valuation, the minority interest represents 49% of the equity interest in the Target Company which do not considered as having insignificant influence to business decision. Based on the above, we applied the implied DLOC of 2% for the valuation of the Equity Interest.

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

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

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

XVI. INCOME APPROACH FOR CROSS-CHECKING

16.1 Major Assumptions

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

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

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

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

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

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

Brief description of major assumptions has been shown as below:

16.1.1 **Basis of Cash Inflow from Revenue**

Revenue forecast of the Target Company is projected by the management of the Company. The total saleable area of the Project is 449,487 m^2 (in which 436,074 m^2 is residential property and 13,413 m^2 is commercial property) with 5,529 unit of car parking space. The property sale of the Project is expected to be launched by 4 phases. It is assumed that pre-sale of the first phase will be commenced in mid 2016 and the unit selling price per square meter will be set at RMB29,330. It is expected that the unit selling price will be increased by 18% when the pre-sale of each of the coming 3 phases launched which make reference to the property market growth rate in Baiyun, Guangzhou in 2015. Additional construction and decoration costs have been budgeted by the management of the Company to support the growth of unit selling price.

Table 16 - 1 Sale Plan of the Target Company

Year	2016 Phase 1	2017	2018 Phase 2	2019 Phase 3	2020 Phase 4	2021	2022
Residential							
Unit Selling Price (RMB/m^2)	29,330	29,330	34,609	40,839	48,190	48,190	n/a
Sale Area (m^2)	35,030	70,059	94,976	65,829	118,005	52,176	0
Commercial							
Unit Selling Price (RMB/m^2)	44,946	44,946	53,036	62,582	73,847	73,847	73,847
Sale Area (m^2)	0	0	0	0	3,353	6,707	3,354
Car Parking Space							
Unit Selling Price (RMB/unit)	250,000	250,000	300,000	350,000	410,000	410,000	410,000
Sale (Unit)	0	0	0	449	1,797	1,797	1,486

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

Table 16 - 2 Projected Cash Inflow from Property Sale

Year	2016 Phase 1	2017	2018 Phase 2	2019 Phase 3	2020 Phase 4	2021	2022
Property Sale	87,330	190,072	310,218	291,102	609,830	418,653	142,027

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

The cost of revenue represents the development costs of the properties and tax surcharge. Cost of revenue is projected by the management of the Company. Cash outflow on cost of revenue is projected as follows:

Table 16 - 3 Projected Cash Outflow on Cost of Revenue

Total Development Cost (RMB'0,000)	295,592
Construction Area (m^2)	680,272
Cost per m^2 (RMB'0'000)	4,345

(RMB'0,000)	2016	2017	2018	2019	2020	2021	2022
Development Cost	28,220	62,759	62,759	62,759	34,539	34,539	10,017
Tax Surcharge	5,754	11,507	18,407	15,930	37,366	20,988	4,805
Total Cost of Revenue	**33,974**	**74,266**	**81,166**	**78,689**	**71,905**	**55,527**	**14,822**

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

16.1.3 **Operating Expenses**

Operating expenses represent selling expenses, administrative expenses and land appreciation tax ("VAT"). Operating expenses forecast is prepared by the management of the Company. It is assumed that selling expenses will be amounted to 3% of revenue and administrative expenses will be amounted to 5% of the development cost.

Table 16 - 4 Operating Expenses Forecast

(RMB'0,000)	2016	2017	2018	2019	2020	2021	2022
Selling Expenses	2,620	5,702	9,307	8,733	18,295	12,560	4,261
Administrative Expenses	1,411	3,138	3,138	3,138	1,727	1,727	501
Land VAT	4,367	9,504	15,511	14,555	30,492	20,933	95,126
Total Expenses	8,397	18,344	27,955	26,426	50,513	35,219	99,888

16.1.4 **Basis of Capital Expenditure**

As the Target Company is engaged in development and sale of property, limited acquisition of property, plant and equipment is expected in the operation of the Project. Management of the Company estimated that the capital expenditure will be RMB5,600,000 in the projection period and incurred in 2016. Such capital expenditure mainly comprises purchase of furniture and equipment for supporting the daily operation of the back office.

16.2 **Determination of Discount Rate**

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

16.2.1 **Development of Weighted Average Cost of Capital**

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

The traditional formula for calculating the WACC is:

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

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

16.2.2 **Development of Cost of Equity**

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

Modified Capital Asset Pricing Model

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

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

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

1. **Risk Free Rate**

R_f was found by looking at the yields of the Hong Kong government bond. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted. We relied on the yield of the 7-Year Hong Kong government bond as at the Valuation Date.

2. **Beta**

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

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

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

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

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

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

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

3. **Selection of Guideline Public Companies**

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

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

Table 16 - 5 Guideline Public Companies

	Guideline Public Companies	Ticker	Business Activities
1.	Yuexiu Property Co Ltd	123 HK	Develops, manages and invests in properties.
2.	CIFI Holdings Group Co Ltd	884 HK	Develops hotels and residential properties in China.
3.	Beijing Capital Land Ltd	2868 HK	Develops medium to high-end residential properties.
4.	Poly Property Group Co Ltd	119 HK	Develops, invests in, and manages properties in China.
5.	Kaisa Group Holdings Ltd	1638 HK	Plan, develop and operate large-scale residential properties.
6.	Yuzhou Properties Co Ltd	1628 HK	Develops residential properties in southern China.
7.	C C Land Holdings Ltd	1224 HK	Develops and invests in properties in Western China.
8.	China Overseas Grand Oceans Group Ltd	81 HK	Develop and sale property.
9.	Future Land Development Holdings Ltd	1030 HK	Develop residential properties and mixed-use complex projects.
10.	Times Property Holdings Ltd	1233 HK	Develop properties in southern China.
11.	China Aoyuan Property Group Ltd	3883 HK	Develops retails shops and integrated residential projects.
12.	Top Spring International Holdings Ltd	3688 HK	Invest in residential properties development projects.
13.	Central China Real Estate Ltd	832 HK	Develops property in China.
14.	Modern Land China Co Ltd	1107 HK	Develops residential and commercial projects with energy-saving architecture.
15.	Lai Fung Holdings Ltd	1125 HK	Develops and invests in commercial and residential properties in China.
16.	Chuang's China Investments Ltd	298 HK	Develops and invests in properties in China.
17.	Dynamic Holdings Ltd	29 HK	Invests in and develops properties.

Source: Bloomberg

Table 16 - 6 Summary of Beta

	Un-Levered Beta	Re-levered Beta
Yuexiu Property Co Ltd	0.44	1.47
CIFI Holdings Group Co Ltd	0.46	1.56
Beijing Capital Land Ltd	0.27	0.89
Poly Property Group Co Ltd	0.38	1.29
Kaisa Group Holdings Ltd	0.21	0.72
Yuzhou Properties Co Ltd	0.33	1.11
C C Land Holdings Ltd	0.52	1.75
China Overseas Grand Oceans Group Ltd	0.46	1.56
Future Land Development Holdings Ltd	0.37	1.23
Times Property Holdings Ltd	0.23	0.76
China Aoyuan Property Group Ltd	0.26	0.88
Top Spring International Holdings Ltd	0.25	0.84
Central China Real Estate Ltd	0.35	1.16
Modern Land China Co Ltd	0.35	1.17
Lai Fung Holdings Ltd	0.31	1.03
Chuang's China Investments Ltd	0.49	1.65
Dynamic Holdings Ltd	0.69	2.30

Median Un-Levered Beta	Median Re-levered Beta
0.35	1.17

Source: Bloomberg

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

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

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

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

5. **Size Premium (“RP_s”)**

RP_s, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In this valuation, we applied the RP_s return in excess of CAPM in the United States. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2015 Classic Yearbook.

6. **Country Risk Premium (“RP_c”)**

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

Table 16 - 7 Country Risk Premium of China and Hong Kong

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

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

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

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

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

Firm specific risk factors may include the following:

1. Abnormal competition
2. Customer concentration
3. Size smaller than the Guideline Public Companies
4. Poor access to capital
5. Thin management
6. Lack of business diversification
7. Potential environment issue
8. Potential litigation

9. Narrow distribution channels
10. Obsolete technology
11. Dim company outlook

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

Table 16 - 8 Cost of Equity Conclusion

MCAPM	
R_f	1.09%
Beta	1.17%
ERP	7.48%
RP_s	3.74%
RP_c	0.31%
RP_u	5.00%
R_e	**18.91%**

16.2.3 **Development of Cost of Debt**

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

16.2.4 **Weighted Average Cost of Capital**

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

Table 16 - 9 Weighted Average Cost of Capital

WACC	
Weight of Interest Bearing Debt	75.85%
x Cost of Debt	5.23%
x (1 - Tax Rate)	75.00%
Weighted Cost of Debt	**2.97%**
+ Weight of Equity	24.15%
x Cost of Equity	18.91%
Weighted Cost of Equity	**4.57%**
Weighted Average Cost of Capital (Applied Discount Rate)	**7.54%**

XVII. SYNTHESIS AND RECONCILIATION

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

Market Approach
Guideline Public Company Method .... N/A
Application .... Rejected
Income Approach
Discounted Cash Flow Method .... RMB2,161,000,000.
Application .... Rejected
Asset Approach
Adjusted Net Assets Method .... RMB2,163,000,000.
Application .... Accepted

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

Thus, we concluded the fair value of the Equity Interest based on the asset approach.

XVIII. LIMITING CONDITIONS

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

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

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

XIX. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it was our opinion that the fair value of the 49% equity interest in Guangzhou Hongsheng Property Development Limited as at 29 February 2016 was as follows:

	Fair Value as at 29 February 2016
49% equity interest in Guangzhou Hongsheng Property Development Limited (rounded)	**RMB2,163,000,000.**

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

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

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

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

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

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

INVOLVED STAFF BIOGRAPHY

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

Director

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

Marvin K.C. Wong, *CPA*

Manager, Business Valuation & Transaction Advisory

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

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

Assistant Manager, Business Valuation & Transaction Advisory

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

GENERAL SERVICE CONDITIONS

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

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

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interest of Directors/chief executive of the Company

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

Long positions in the Shares and underlying shares

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

Long positions in the shares and underlying shares of associated corporation

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

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

(b) **Substantial Shareholders**

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

Long positions in the Shares and underlying shares

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

Note:

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

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

Notes:

(i) 4,202,934,153 Shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu Enterprises (Holdings) Limited.

(ii) 978,065,907 Shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.

(iii) 273,266,721 Shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.

(iv) 234,689,273 Shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.

(v) 60,918,133 Shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

As at the Latest Practicable Date, there was no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors which: (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period. There was no earlier service contract with the Company or any of its subsidiaries or associated companies for the Directors which had been replaced or amended within six months before the Latest Practicable Date.

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

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Interests in contracts

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

6. LITIGATION

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

7. EXPERT'S QUALIFICATIONS AND CONSENT

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

Name	Qualification
Greater China Appraisal Limited	Property valuer and business valuer

As at the Latest Practicable Date, Greater China Appraisal Limited did not have any shareholding, directly or indirectly, in any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

Greater China Appraisal Limited has given its written consent and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letters and/or reports and/or references to its name in the form and context in which they respectively appear.

8. MATERIAL CONTRACTS

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

(i) the Equity Transfer Agreement;

(ii) the Loan Assignment Agreement;

(iii) the call option exercise agreement dated 12 June 2015 entered into between Guangzhou Hongjing Property Development Co. Ltd. (an indirect 95.48% owned subsidiary of the Company) ("**GHPD**") and Guangzhou Yuexiu Renda No.5 Business Investment Enterprise (Limited Partnership) ("**Renda No. 5 LLP**") in relation to the exercise of the call option by GHPD to acquire 45% equity interest in Guangzhou Zhongyao Industrial Investment Co., Ltd.* (廣州中耀實業投資有限公司) from Renda No. 5 LLP;

(iv) the equity transfer agreement dated 12 June 2015 entered into between GHPD and Renda No. 5 LLP in relation to the acquisition by GHPD of 45% equity interest in Guangzhou Zhongyao Industrial Investment Co., Ltd.* (廣州中耀實業投資有限公司) from Renda No. 5 LLP;

(v) the subscription agreement dated 24 November 2014 entered into between the Company (as issuer), Nomura International plc and Standard Chartered Bank (Hong Kong) Limited (as dealers) in relation to the proposed issue by the Company of HK$2,300,000,000 6.10% notes due 2029 under the Company's US$2,000,000,000 medium term note programme;

(vi) the underwriting agreement dated 3 September 2014 entered into between the Company (as issuer), DBS Asia Capital Limited and BOCI Asia Limited (as joint underwriters) in relation to the underwriting in full of rights shares to be issued under the proposed rights issue of the Company; and

(vii) the framework agreement dated 23 June 2014 between Guangzhou Construction and Development Holdings (China) Limited, Guangzhou City Construction & Development Company Limited and Up Surge Global Limited in relation to the (i) disposal by Guangzhou Construction and Development Holdings (China) Limited and Guangzhou City Construction & Development Company Limited of the entire issued share capital of the Bonus Fortune Development Limited, Super Linkage International Limited, Wealthy Mind Development Limited, Supreme Peak Investments Limited and Jumbo Resources Investments Limited to Up Surge Global Limited, (ii) assignment by Guangzhou Construction and Development Holdings (China) Limited and Guangzhou City Construction & Development Company Limited of shareholder's loans to Up Surge Global Limited, and (iii) disposal of Unit 101 of No.4, Huaming Road, Zhujiang New Town, Tianhe District, Guangzhou.

9. DOCUMENTS FOR INSPECTION

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

a) the articles of association of the Company;

b) the letter from the Board, the text of which is set out on pages 6 to 18 of this Circular;

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

d) the annual reports of the Company for the two years ended 31 December 2014;

e) the interim report of the Company for the six months ended 30 June 2015;

f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

g) the property valuation report dated 25 April 2016 in respect of the valuation of Property as set out in Appendix IIA of this Circular;

h) the valuation report dated 25 April 2016 in respect of the valuation of 49% equity interest in the Project Company as set out in Appendix IIB of this Circular; and

i) this Circular.

MISCELLANEOUS

a) The registered office of the Company is located at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

b) The company secretary of the Company is Mr. Yu Tat Fung, a Solicitor of the High Court of the Hong Kong Special Administrative Region.

c) The share registrar of the Company is, Tricor Abacus Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

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

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

NOTICE IS HEREBY GIVEN that a general meeting (the "**Meeting**") of Yuexiu Property Company Limited (the "**Company**") will be held at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 11 May 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the resolutions set out below. Words and expressions that are not expressly defined in this notice of Meeting shall bear the same meanings as those defined in the circular to the shareholders of the Company dated 25 April 2016 (the "**Circular**").

ORDINARY RESOLUTIONS

1. "**THAT**:

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

   (b) the Assignment of Loan (including the entering into of the Loan Assignment Agreement by the Loan Assignor, the Purchaser, the Project Company and the Seller) and the consummation of transactions contemplated thereunder as more particularly described in the Circular and on the terms and conditions set out in the Loan Assignment Agreement be hereby approved, ratified and confirmed; and

   (c) authorisation be granted to the Company and any one Director to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as the Company, such Director or, as the case may be, the Board may consider necessary, desirable or expedient or in the interest of the Company to give effect to the terms of the matters contemplated under the Equity Transfer Agreement, the Loan Assignment Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith."

2. "**THAT** Mr. Lin Zhaoyuan be and is hereby re-elected as an executive Director."

3. "**THAT** Mr. Ou Shao be and is hereby re-elected as an executive Director."

For and on behalf of the Board of
Yuexiu Property Company Limited
Zhang Zhaoxing
Chairman

Hong Kong, 25 April 2016

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

Notes:

1) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

3) In order to be valid, the completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof (as the case may be).

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

5) Where there are joint registered holders of any Share, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the Share(s) shall be accepted to the exclusion of the votes of the other joint registered holders.

6) The register of members of the Company will be closed on 11 May 2016, during which period no transfer of Shares will be registered. For the purpose of ascertaining the Shareholders' eligibility to participate in the Meeting to be held on 11 May 2016, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 10 May 2016.