THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

新城发展
FUTURE
HOLDINGS

Future Land Development Holdings Limited

新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

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

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 11 and a letter from the Independent Board Committee is set out on page 12 of this circular. A letter from Somerley containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 32 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Wednesday, 4 May 2016 at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-la, Hong Kong, 64 Mody Road, Kowloon, Hong Kong is set out on pages 46 and 47 of this circular. A form of proxy for use at the EGM is enclosed with this circular. If you are unable to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

18 April 2016

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

"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Company"	Future Land Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
"Completion"	completion of the Equity Transfer Agreement
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"controlling shareholder"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the conditional disposal of the Sale Interest by the Seller to the Purchaser pursuant to the Equity Transfer Agreement
"DTZ"	DTZ Cushman & Wakefield Limited
"EGM"	an extraordinary general meeting of the Company to be convened at 10:00 a.m. on Wednesday, 4 May 2016 at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-la, Hong Kong, 64 Mody Road, Kowloon, Hong Kong for the purpose of considering, and if thought fit, approving, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder
"Equity Transfer Agreement"	the equity transfer agreement dated 1 April 2016 entered into amongst the Purchaser, the Seller and the Target Company in respect of the Disposal
"Future Land Property Services"	Tibet Future Land Property Management Services Co., Ltd.* (西藏新城物業服務有限公司), a company incorporated in the PRC with limited liability and owned as to 93.75% by the Target Company as at the Latest Practicable Date
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	the Shareholder(s) other than the Purchaser, Mr. Wang Xiaosong, Wellink and their respective associates
"Latest Practicable Date"	14 April 2016, being the latest practicable date prior to the printing of this circular to ascertain certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC GAAP"	the generally accepted accounting principles adopted in the PRC
"Purchaser"	Wealth Zone Hong Kong Investments Limited (富域香港投資有限公司), a company established in the British Virgin Islands with limited liability and a controlling shareholders of the Company holding 4,105,450,000 Shares (representing approximately 72.56% of the issued share capital of the Company as at the Latest Practicable Date)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the 100% equity interest in the Target Company owned by the Seller as at the Latest Practicable Date
"Services Agreements"	the 50 sales office property services agreements entered into between the Company (through its various subsidiaries) and Future Land Property Services for the year ended 31 December 2016

"Seller"	Hong Kong Chuangzhi Development Limited (香港創智發展有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) in the share capital of the Company with a par value of HK$0.001 each
"Shareholder(s)"	the holder(s) of the Share(s)
"Somerley" or "Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Changzhou Chuangyue Consultancy Co., Ltd* (常州創悅諮詢管理有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Wellink"	Wellink Global (PTC) Limited, a trustee for the Company's pre-IPO share award scheme, holding 39,850,000 Shares as at the Latest Practicable Date (representing approximately 0.7% of the issued share capital of the Company)
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

* *Denotes English translation of a Chinese company or entity and is provided for identification purpose only.*

Future Land Development Holdings Limited
新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1030)

Executive Director:
Mr. Wang Zhenhua (*Chairman*)
Mr. Lv Xiaoping (*Chief Executive Officer*)
Mr. Lu Zhongming
Mr. Liu Yuanman
Mr. Chan Wai Kin

Non-executive Director:
Mr. Wang Xiaosong

Independent Non-executive Directors:
Mr. Chen Huakang
Mr. Zhu Zengjin
Mr. Zhong Wei

Registered Office:
Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Principal place of business in Hong Kong:
36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

18 April 2016

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

Reference is made to the announcement of the Company dated 1 April 2016 regarding the Equity Transfer Agreement and the transactions contemplated thereunder.

On 1 April 2016 (after trading hours), the Seller, being an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser and the Target Company, pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a total consideration of RMB320 million.

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) DTZ's valuation report of the Target Company; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder; (iv) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the EGM to the Shareholders.

THE EQUITY TRANSFER AGREEMENT

Set out below are the principal terms of the Equity Transfer Agreement.

Date	:	1 April 2016
Seller	:	Hong Kong Chuangzhi Development Limited (香港創智發展有限公司), an indirect wholly-owned subsidiary of the Company
Purchaser	:	Wealth Zone Hong Kong Investments Limited (富域香港投資有限公司), which is an investment holding company
Target Company	:	Changzhou Chuangyue Consultancy Co., Ltd* (常州創悅諮詢管理有限公司)

Subject matter

Pursuant to the Equity Transfer Agreement, the Seller conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Interest, being the entire equity interest of the Target Company.

Consideration

The consideration for the Disposal shall be RMB320 million, which shall be paid in cash before the completion of the industrial and commercial registration of the transfer in respect of the Sale Interest or within 30 days after the fulfillment of the conditions precedent as set out in the section headed "Conditions precedent" below (whichever is the earlier).

The consideration for the Disposal was determined and agreed between the parties to the Equity Transfer Agreement after arm's length negotiations based on normal commercial terms, with reference to the valuation of the Target Company of RMB295 million as at 29 February 2016 by the independent valuer, DTZ, by market approach with reference to comparable market transactions. DTZ's valuation report of the Target Company is set out in Appendix II to this circular. The Directors have considered the assumptions in the valuation of DTZ and are of view that such resumptions are fair and reasonable. The valuation by the independent valuer has been the primary consideration for the Directors in determining the consideration, in addition to other usual commercial considerations, including transaction costs and intended use of proceeds.

Conditions precedent

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

(a) the Independent Shareholders having approved the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM; and

(b) the relevant PRC authority having approved the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the applicable laws.

Completion

Completion shall take place upon completion of the industrial and commercial registration of the transfer in respect of the Sale Interest in accordance with the terms of the Equity Transfer Agreement. The parties to the Equity Transfer Agreement agree to submit the application for the aforesaid registration within 30 days after the fulfillment of the conditions precedent as set out in the section headed "Conditions precedent" above. There is no long stop date for the Disposal under the Equity Transfer Agreement.

FINANCIAL EFFECT OF THE EQUITY TRANSFER AGREEMENT

The unaudited gain (subject to audit and tax, if any) from the Disposal is estimated to be approximately RMB334.6 million, representing the consideration for the Disposal of RMB320 million less the sum of (i) the consolidated audited net liabilities attributable to shareholders of the Target Company prepared in accordance with the PRC GAAP of approximately RMB15.9 million as at 31 December 2015; and (ii) the estimated transaction costs of approximately RMB1.3 million. The net proceeds from the Disposal after expenses are expected to be approximately RMB 318.7 million which will be used by the Group for development of the Group's other businesses, including children's entertainment, cinema and smart storage, and working capital. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and its only asset as at the Latest Practicable Date is the 93.75% equity interests in Future Land Property Services, a company incorporated in the PRC with limited liability whose principal business is residential property management in the PRC. The remaining 6.25% interest in Future Land Property Services is held by a PRC company owned by two PRC individuals independent from the Company and its connected persons.

Future Land Property Services managed 79 residential property projects located in, among others, Changzhou, Shanghai, Nanjing, Wuxi and Suzhou with the total gross floor areas under management of approximately 20.4 million sq.m. as at 31 December 2015. The substantial part of the businesses of Future Land Property Services is to provide traditional residential property management services, such as security, repair and maintenance, cleaning, garden landscape maintenance, to mass residential properties.

Financial information of the Target Company

Please see below the Target Company's audited financial information for the years ended 31 December 2015 and 2014 prepared in accordance with the PRC GAAP.

	For the year ended 31 December 2015 *(approximately RMB'000)*	**For the year ended 31 December 2014** *(approximately RMB'000)*
Net profit before tax	40,348	7,619
Net profit after tax	34,097	7,358

As at 31 December 2015, the consolidated audited net liabilities of the Target Company was approximately RMB12.7 million.

CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60 OF THE LISTING RULES

As at the date of the Equity Transfer Agreement, the Company (through its subsidiaries) has 50 Services Agreements with Future Land Property Services, pursuant to which Future Land Property Services provides residential property management services, including cleaning, security and maintenance, to the sales offices of various residential development projects of the Group. All the Services Agreements have one year term that starts from 1 January 2016 and ends on 31 December 2016 and the total consideration thereunder is approximately RMB59 million. Upon Completion, Future Land Property Services will become a subsidiary of the Purchaser (being a controlling shareholder of the Company), hence a connected person of the Company and therefore the Services Agreements will constitute continuing connected transactions under Chapter 14A of the Listing Rules. All terms of the Services Agreements will remain unchanged upon Completion.

REASONS FOR THE DISPOSAL

The Company is principally engaged in property development and property investment business in the PRC. To a lesser extent, the Group also engages in property management business, children's entertainment business, cinema business and smart storage business. The Target Company and Future Land Property Services are the Group's operation subsidiaries for residential property management business.

The Board considers that the Disposal represents a good opportunity for the Group to optimize its resources and achieve its strategic blueprint after taking into account the following considerations:

(i) unlike the Group's core property development and investment business, the profit contribution of residential property management business to the Group was insignificant while the labour intensive nature of residential property management business resulted in a significant number of employees being tied up in this business segment, which became a source of inefficiency and an administrative and operational burden for the Group; and

(ii) children's entertainment business, cinema business and smart storage business have better industry environments and prospects and therefore would be the future development focus of the Group and that the net proceeds from the Disposal would provide financial resources for future investments in these selected areas when opportunities arise.

The Company will not engage in residential property management business after the Completion. The children's entertainment business and smart storage business have started operation in early 2015 and the Company commenced preparation for the cinema business since early 2016. The children's entertainment business will focus on the Yangtze River Delta Region. The smart storage business is strategically planned to have a national coverage. The cinema business will mainly be an extension of the Group's commercial development projects. All these businesses are still in development stage and are expected to be mature in three to five years.

In late 2015 and early 2016, the Company had some very preliminary discussions with representatives of two Hong Kong listed companies in relation to the sale of the Target Company. However, these two listed companies both strongly resisted the proposal of all cash settlement for the transaction, and instead counter-proposed settlement by way of capital injection or issue of consideration shares. The Company has also considered the potential implications of disclosure, length of negotiation and purchaser's due diligence exercises, given all parties involved are Hong Kong listed companies. Taking into account all relevant facts and circumstances, the Company decided not to proceed further with such discussions and no definitive commercial agreement was reached. On the other hand, the Purchaser agreed to pay the Consideration in cash entirely and the Consideration was determined after arm's length negotiation between the parties with reference to the appraised value of the Target Company as at 29 February 2016 by the independent valuer, DTZ. The executive Directors were of the view that negotiations with the Purchaser could proceed in complete confidence without disturbing the market and the commitments and resources of the Purchaser gave the Company a higher degree of certainty in the Completion without undue delay.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Equity Transfer Agreement exceed 5% but are less than 25%, the Disposal and the Equity Transfer Agreement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules which is subject to reporting and announcement requirements under the Listing Rules.

The Purchaser is a controlling shareholder of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules.

As such, the Disposal and the Equity Transfer Agreement also constituted a connected transaction for the Company, which is subject to, among other things, the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Upon Completion, Future Land Property Services will become a subsidiary of the Purchaser and therefore a connected person of the Company. The existing Services Agreements between the Group and Future Land Property Services will constitute continuing connected transactions under Chapter 14A of the Listing Rules, but all terms will remain unchanged. Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding such continuing connected transactions. The Company will comply in full with all reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Services Agreements.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Board has established an Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote on the relevant resolution at the EGM taking into account the recommendations of Somerley. The Independent Board Committee has approved the appointment of Somerley as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote on the relevant resolution at the EGM.

GENERAL

The EGM will be held at 10:00 a.m. on Wednesday, 4 May 2016 at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-la, Hong Kong, 64 Mody Road, Kowloon, Hong Kong, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. The notice of the EGM is set out on pages 46 to 47 in this circular and a form of proxy for use at the EGM is enclosed.

The resolution to be put to vote at the EGM will be taken by way of poll in accordance with the Listing Rules.

The Purchaser is beneficially owned by Hua Sheng Trust, a discretionary trust set up by Mr. Wang Zhenhua, a controlling shareholder, an executive Director and the chairman of the Company, in favour of his family members, and Mr. Wang Xiaosong, an non-executive

Director, is the son of Mr. Wang Zhenhua. Therefore, each of Mr. Wang Zhenhua and Mr. Wang Xiaosong is an associate of the Purchaser. Mr. Wang Zhenhua is also a director of Wellink, a Shareholder, and therefore Wellink is considered to have material interests under the Equity Transfer Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, the Purchaser, Mr. Wang Xiaosong and Wellink were interested in 4,105,450,000 Shares, 22,800,000 Shares and 39,850,000 Shares respectively. Given that the Purchaser, Mr. Wang Xiaosong and Wellink have material interests in the Equity Transfer Agreement and the transaction contemplated thereunder, the Purchaser, Mr. Wang Xiaosong and Wellink, holding an aggregate of 4,168,100,000 Shares (as at the Latest Practicable Date representing approximately 73.67% of the issued share capital of the Company), together with their respective associates, will be required to abstain from voting in relation to the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

Mr. Wang Zhenhua and Mr. Wang Xiaosong were considered to have material interests in the Equity Transfer Agreement and the transactions contemplated thereunder and have abstained from voting on the Board resolutions for approving the Equity Transfer Agreement and the transactions contemplated thereunder.

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 in this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Equity Transfer Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from Somerley set out on pages 13 to 32 in this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders as regards to the Equity Transfer Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

You are advised to read the letter from the Independent Board Committee and the letter from Somerley mentioned above before deciding how to vote on the resolution to be proposed at the EGM.

By order of the Board
Future Land Development Holdings Limited
WANG Zhenhua
Chairman

新城发展
FUTURE
HOLDINGS

Future Land Development Holdings Limited
新城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

18 April 2016

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

We refer to the circular of the Company to the Shareholders dated 18 April 2016 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder and to recommend whether or not you should approve them at the EGM. Somerley has been appointed as the Independent Financial Adviser to advise you and us in the same respect.

Your attention is drawn to the letter from the Board and the letter from Somerley containing its advice to us and the Independent Shareholders as set out in this circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of Somerley, we are of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully
For and on behalf of
Independent Board Committee of
Future Land Development Holdings Limited

Mr. Chen Huakang **Mr. Zhu Zengjin** **Mr. Zhong Wei**
Independent Non-executive Directors

Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

18 April 2016

To: The Independent Board Committee and the Independent Shareholders of Future Land Development Holdings Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Equity Transfer Agreement. Details of the Disposal and the Equity Transfer Agreement are set out in the circular issued by the Company to the Shareholders dated 18 April 2016 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 1 April 2016, the Seller, being an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser and the Target Company, pursuant to which the Seller conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Interest at a consideration of RMB320.0 million.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal and the Equity Transfer Agreement exceed 5% but are less than 25%, the Disposal and the Equity Transfer Agreement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules which is subject to reporting and announcement requirements under the Listing Rules.

The Purchaser is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Disposal and the Equity Transfer Agreement also constituted a connected transaction for the Company, which is subject to, among other things, the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Purchaser is beneficially owned by Hua Sheng Trust, a discretionary trust set up by Mr. Wang Zhenhua ("**Mr. Wang**"), a controlling Shareholder, an executive Director and the chairman of the Company, in favour of his family members, and Mr. Wang Xiaosong, an non-executive Director and the son of Mr. Wang. Therefore, each of Mr. Wang and Mr. Wang Xiaosong is an associate of the Purchaser. Mr. Wang is also a director of Wellink, a Shareholder, and therefore Wellink is considered to have material interests under the Equity Transfer Agreement and the transactions contemplated thereunder. Mr. Wang, Mr. Wang Xiaosong and Wellink, together with their respective associates, are required to abstain from voting on the resolution to be proposed at the EGM to approve the Disposal and the Equity Transfer Agreement.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei, has been established to advise the Independent Shareholders on the terms of the Disposal and the Equity Transfer Agreement and to make a recommendation as to voting. We, Somerley, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, the Seller, the Purchaser, the Target Company or their respective core connected persons, close associates or associates and accordingly are considered eligible to give independent advice on the above matters. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the Seller, the Purchaser, the Target Company or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the Equity Transfer Agreement, the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"), certain financial information of the Target Company and its subsidiaries, including but not limited to the Future Land Property Services (the "**Target Group**"), a business valuation report on the 100% equity interest in the Target Company prepared by DTZ as set out in appendix II to the Circular (the "**Valuation Report**") and the information as set out in the Circular. We have also discussed the Target Group with the management of the Group and the future prospects of the remaining business of the Group after Completion. We have also discussed with DTZ the business valuation of the Target Group.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Target Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Business of the Group

The Company was listed on the Stock Exchange on 29 November 2012. The Company is principally engaged in property development and property investment business in the PRC. To a lesser extent, the Group also engages in residential property management business, children's entertainment business, cinema business and smart storage business.

Following a large scale corporate restructuring exercise (the "**Restructuring**") completed in December 2015, Jiangsu Future Land Co., Ltd., the then approximately 58.86%-owned subsidiary of the Company and whose B shares were then listed on the Shanghai Stock Exchange (stock code: 900950) ("**Jiangsu Future Land**"), through a merger and absorption through share swap, became wholly owned by the Company's 68.27%-owned Future Land Holdings Co., Ltd. ("**Future Land Holdings**"), whose A shares were subsequently listed on the Shanghai Stock Exchange (stock code: 601155) on 4 December 2015. The B shares of Jiangsu Future Land were also subsequently delisted from the Shanghai Stock Exchange following the Restructuring. The Restructuring was recognised as the first of its kind involving a Chinese real estate company restructuring one's B shares to A shares. As recognised by the management of the Group, through the Restructuring and listing of the A shares of Future Land Holdings on the Shanghai Stock Exchange, the residential property development and operation of commercial projects of the Group were integrated into a single platform under Future Land Holdings, which can be seen as a key milestone in improving the Group's operating structure and operation efficiency and saving operating, marketing and administrative costs. It is also an important step in the long run to facilitate the access of the Group to the financing channels of the Chinese capital market.

Two operating segments clearly emerged following the Restructuring, being (i) Future Land Holdings, which is the Company's flagship A Share listed company mainly engaged in development of residential properties and mixed-use complexes for sale and investment; and (ii) residential property management and other service companies of the Group not held within Future Land Holdings which are mainly engaged in residential property management and other services including certain newly established businesses which are currently at start-up stage (the "**Non-A Share Companies**").

Set out below is a brief discussion on these key operating segments:

Future Land Holdings

As stated in the 2015 Annual Report, this segment is the main revenue and profit driver for the Group and the largest segment of the Group in terms of asset scale. For the year ended 31 December 2015 ("**FY2015**"), with a segment revenue and segment profit of approximately RMB23,568.8 million and RMB3,925.4 million respectively, Future Land Holdings accounted for approximately 98.4% and 114.9% of the total segment revenue and total segment profit of the Group (before elimination) respectively. As at 31 December 2015, this segment's total assets of approximately RMB67,802.1 million accounted for approximately 89.0% of the Group's total segment assets (before elimination).

For FY2015, through Future Land Holdings, the Group achieved contracted sales of approximately RMB31,928.6 million, representing an increase of approximately 30.3% as compared to that for the year ended 31 December 2014 ("**FY2014**"). The Group sold approximately 3,460,000 sq.m. in gross floor area ("**GFA**"), representing an increase of approximately 25.0% over that for FY2014. The Group's contracted sales target for 2016 is RMB40 billion.

During FY2015, the Group acquired 35 land parcels in 17 cities, which added to the Group's land reserve by an additional GFA of approximately 7,590,000 sq.m.. As at 31 December 2015, the Group had 116 real estate projects in 25 major cities in the PRC, of which 73 were under construction and/or held for future development. The Group had a land bank of a total GFA of 22.74 million sq.m., which was enough to support its development in the next four to five years as expected by the management of the Group.

As at 31 December 2015, the Group had investment properties of 940,097.8 sq.m. which have already commenced operations. Rental income from these investment properties was approximately RMB172.0 million for FY2015, representing an increase of approximately 34.5% over that for FY2014.

Non-A Share Companies

Unlike Future Land Holdings, the Non-A Share Companies contributed to the financial performance and financial position of the Group to a much lesser extent. As stated in the 2015 Annual Report, for FY2015, with a segment revenue of approximately RMB376.2 million, the Non-A Share Companies accounted for approximately 1.6% of the total segment revenue of the Group (before elimination). In terms of the earnings contribution, the Non-A Share Companies recorded a segment loss of approximately RMB510.4 million. As at 31 December 2015, the segment assets of the Non-A Share Companies of approximately RMB8,346.0 million accounted for approximately 11.0% of the Group's total segment assets (before elimination). The Target Group are the Group's operating subsidiaries for residential property management business, which form part of the Non-A Share Companies. The Non-A Share Companies also include other businesses comprising children's entertainment business, cinema business, smart storage business and overseas property investments.

2. Information on the Target Company

The Target Company is a company established in the PRC with limited liability and its principal asset as at the Latest Practicable Date was the 93.75% equity interests in Future Land Property Services, a company established in the PRC with limited liability whose principal business is residential property management in the PRC. The remaining 6.25% equity interest in Future Land Property Services was held by a PRC company owned by two PRC individuals independent of the Company and its connected persons.

Future Land Property Services managed 79 residential property projects located in, among others, Changzhou, Shanghai, Nanjing, Wuxi and Suzhou with total GFA under management of approximately 20.4 million sq.m. as at 31 December 2015. Almost 90% of the aforesaid GFA under management were located in second to third tier Chinese cities. The Target Group was staffed with around 40% of the Group's total number of personnel as at 31 December 2015.

The Target Group derived a substantial part of its revenue and profit (around 80% – 85%) during FY 2015 from the provision of traditional residential property management services such as security, repair and maintenance, cleaning, garden landscape maintenance to mass residential properties. Almost all of these residential properties were developed by the Group (i.e. Future Land Holdings).

Set out below is a summary of the audited consolidated financial information of the Target Company prepared in accordance with the PRC GAAP for FY2015 and FY2014:

	FY2015 *(approximately RMB'000)*	**FY2014** *(approximately RMB'000)*
Net profit before tax	40,348	7,619
Net profit after tax	34,097	7,358

Total consolidated revenue of the Target Company for FY2015 increased to approximately RMB399.5 million, representing an increase of approximately 54.2% over that for FY2014. Based on our discussion with management of the Target Group, such increase was broadly as a result of the strong property contracted sales by Future Land Holdings recorded in FY2015, which spurred the increasing demand for intra-group residential property management services, of approximately RMB31,928.6 million for FY2015, representing a year-on-year increase of approximately 30.3%. The consolidated net profit after tax attributable to the shareholders of the Target Company for FY2015 also increased to approximately RMB32.0 million, representing an increase by more than 3 times over that for FY2014 for which RMB7.5 million was recorded. Such growth in net profit for FY2015 was mainly attributable to the aforesaid increase in revenue.

As at 31 December 2015, the audited consolidated net liabilities of the Target Company was approximately RMB12.7 million and the portion attributable to the shareholders of the Target Company was approximately RMB15.9 million. As at 31 December 2015, total assets of the Target Company were approximately RMB461.9 million, which chiefly comprised cash of approximately RMB120.8 million and other receivables of approximately RMB308.3 million. Total liabilities as at 31 December 2015 were approximately RMB474.6 million, which mainly consisted of advance payments of approximately RMB78.3 million and other payables of approximately RMB363.0 million. The Target Company carried very little fixed assets and had no debt, which is typical of companies in the residential property management industry to be both asset-light and debt-light and is labour intensive for its operation.

Out of the above other receivables of approximately RMB308.3 million, approximately RMB294.1 million were intra-group loan balance owed to the Target Group from other members of the Group. Out of the above other payables of approximately RMB363.0 million, approximately RMB63.6 million were intra-group loan balance owed from the Target Company to other members of the Group while the remaining balances were payables in relation to utilities and supplies owed to third party vendors. Based on representation by management of the Group, we understand the aforesaid intra-group loan balances together with the interests accrued will be subject to set-off prior to Completion (the "**Set-Off**") whereby the aforesaid other payables of approximately RMB63.6 million will be extinguished after the Set-Off. As a result, the outstanding intra-group loan balance after the Set-Off will be fully owed from the Group to the Target Group and will be interest-free and not secured by any assets of the Group.

3. Reasons for and benefits of the Disposal

In rationalising the Disposal, the Board considers that the Disposal represents a good opportunity for the Group to optimise its resources and achieve its strategic blueprint after taking into account the following considerations:

(a) unlike the Group's core property development and investment business, the profit contribution of residential property management business to the Group was insignificant while the labour-intensive nature of residential property management business resulted in a significant number of employees being tied up in this business segment, which became a source of inefficiency and an administrative and operational burden for the Group; and

(b) children's entertainment business, cinema business and smart storage business have better industry environments and prospects and therefore would be the future development focus of the Group and that the net proceeds from the Disposal would provide financial resources for future investments in these selected areas when opportunities arise.

The Board estimates that, for illustrative purposes only, the Group would record an estimated gain of approximately RMB334.6 million as a result of the Disposal. Such gain represents the consideration for the Disposal of RMB320.0 million less the sum of (i) the consolidated audited net liabilities attributable to shareholders of the Target Company as at 31

December 2015 prepared in accordance with the PRC GAAP of approximately RMB15.9 million; and (ii) the estimated transaction costs of approximately RMB1.3 million. The actual amount of gain on the Disposal will be subject to audit and any tax that the Group may be subject.

As stated in the 2015 Annual Report, the Group will closely and prudently identify cooperation, acquisition and other market opportunities, seek cooperation with other outstanding enterprises, explore new business models in domestic and overseas markets, to further optimise the Company's diversification strategy and enhance the Group's adaptability to changes so as to provide new driving force for the Group's middle and long-term development.

The Directors (excluding the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee in the Circular) consider that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

On the above bases, we are of the view that the Disposal represents an opportunity for the Group to dispose of its non-core business and to focus on the Company's exploration of new business models and diversification which is in line with the Group's announced business strategies stated above. The Disposal also represents a good opportunity for the Group to realise its investment in the Target Group, which carried net liabilities as at 31 December 2015, at an estimated gain of approximately RMB334.6 million (subject to audit and tax, if any).

As discussed in the letter from the Board in the Circular, the Company will not engage in residential property management business after Completion. The children's entertainment business and smart storage business have started operation in early 2015 and the Company commenced preparation for the cinema business since early 2016. The children's entertainment business will focus on the Yangtze River Delta Region. The smart storage business is strategically planned to have a national coverage. The cinema business will mainly be an extension of the Group's commercial development projects. All these businesses are still in development stage and are expected to be mature in three to five years.

As discussed in the letter from the Board in the Circular, in late 2015 and early 2016, the Company had some very preliminary discussions with representatives of two Hong Kong listed companies in relation to the sale of the Target Company. However, these two listed companies both strongly resisted the proposal of all cash settlement for the transaction, and instead counter-proposed settlement by way of capital injection or issue of consideration shares. The Company has also considered the potential implications of disclosure, length of negotiation and purchaser's due diligence exercises, given all parties involved are Hong Kong listed companies. Taking into account all relevant facts and circumstances, the Company decided not to proceed further with such discussions and no definitive commercial agreement was reached. On the other hand, the Purchaser agreed to pay the Consideration in cash entirely and the Consideration was determined after arm's length negotiation between the parties to the Equity Transfer Agreement by reference to the appraised value of the Target Company as at 29

February 2016 by independent valuer, DTZ. The executive Directors were of the view that negotiations with the Purchaser could proceed in complete confidence without disturbing the market and the commitments and resources of the Purchaser gave the Company a higher degree of certainty in Completion without undue delay. We consider the entering into of the Equity Transfer Agreement with the Purchaser but not other independent third parties to be acceptable, based on the executive Directors' consideration of the then circumstances as set out above.

4. Principal terms of the Equity Transfer Agreement

A summary of principal terms of the Equity Transfer Agreement is set out below.

Date

1 April 2016

Parties

Seller: Hong Kong Chuangzhi Development Limited* (香港創智發展有限公司), an indirect wholly-owned subsidiary of the Company

Purchaser: Wealth Zone Hong Kong Investments Limited (富域香港投資有限公司), which is an investment holding company

Target Company: Changzhou Chuangyue Consultancy Co., Ltd.* (常州創悦諮詢管理有限公司)

Subject matter

Pursuant to the Equity Transfer Agreement, the Seller conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Interest, being the entire equity interest of the Target Company.

Consideration

The consideration for the Disposal shall be RMB320.0 million, which shall be paid in cash before completion of the industrial and commercial registration of the transfer in respect of the Sale Interest or within 30 days after the fulfilment of the conditions precedent as set out in the paragraph headed "Conditions precedent" below (whichever is the earlier).

The consideration for the Disposal was determined and agreed between the parties to the Equity Transfer Agreement after arm's length negotiations based on normal commercial terms, with reference to the valuation of the Target Company of RMB295.0 million as at 29 February 2016 prepared by the independent valuer, DTZ, by market approach with reference to comparable market transactions.

Conditions precedent

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

(a) the Independent Shareholders having approved the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM; and

(b) the relevant PRC authority having approved the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the applicable laws.

Completion

Completion shall take place upon completion of the industrial and commercial registration of the transfer in respect of the Sale Interest in accordance with the terms of the Equity Transfer Agreement. The parties to the Equity Transfer Agreement agree to submit the application for the aforesaid registration within 30 days after the fulfilment of the conditions precedent as set out in the paragraph headed "Condition precedent" above. There is no long stop date for the Disposal under the Equity Transfer Agreement.

Other terms

During the period from 1 January 2016 to Completion, the Purchaser shall be entitled to the profit or loss of the Target Company.

5. Evaluation of the consideration for the Disposal

(a) Independent business valuation of the Target Company

As discussed in the letter from the Board in the Circular, the consideration of the Disposal was determined and agreed between the parties after arm's length negotiations based on normal commercial terms, having regard to the valuation of 100% of the equity interest in the Target Company (the "**Valuation**") as at 29 February 2016 (the "**Valuation Date**") of RMB295.0 million prepared by DTZ. Details of the Valuation is set out in the Valuation Report enclosed in appendix II to the Circular. The Valuation Report has been prepared in compliance with the International Valuation Standards.

DTZ valued the Target Company at RMB295.0 million as at the Valuation Date. The consideration for the Disposal amounts to RMB320.0 million, which represents a premium of approximately 8.5% over the Valuation.

We have reviewed the Valuation Report and the relevant valuation workings of DTZ and interviewed the relevant staff of DTZ with particular attention to (i) DTZ's terms of engagement with the Company; (ii) DTZ's qualification and experience in relation to the preparation of the Valuation; and (iii) the steps and due diligence measures taken by DTZ in performing the Valuation. For our review of the engagement letter between the Company and DTZ, we are satisfied that the terms of engagement between the Company and DTZ are appropriate for the opinion DTZ is required to give. DTZ has confirmed that it is independent from the Company, the Seller, the Purchaser and the Target Company and their respective core connected persons, close associates and associates. We further understand that DTZ is certified with the relevant professional qualifications required to perform the Valuation and the person in-charge of the Valuation has approximately 28 years' experience in conducting valuation services to clients in the property industry. We note that DTZ mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the management of the Group. We are advised by DTZ that it has assumed such information to be true, complete and accurate and has accepted it without verification. Based on the above, we confirmed that we have complied with the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules.

We note that the Valuation was primarily based on market approach, which is one of the three generally accepted valuation approaches. The market approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The market approach focuses on analysing the data and valuation multiples of companies/transactions that can be considered comparable to those being valued. Adjustments are made to the comparable companies/transactions to compensate for differences between those companies/transactions and the company being valued. Finally, appropriate valuation multiples are applied to the subject company's normalised financial data to arrive at an indication of the value of the subject company. We have discussed with DTZ the methodologies, bases and assumptions adopted during the course of conducting market approach. As discussed with DTZ, it considers market approach to be the more appropriate valuation approach over the other two generally accepted valuation approaches, namely the cost approach and the income approach, as (i) cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business; and (ii) income approach requires detailed financial forecast of the Target Company in the projected period, which involves adoption of much more subjective assumptions than market approach and cost approach, not all of which can be easily quantified or ascertained.

DTZ had attempted to identify the companies engaging property management service in the PRC and are listed on the Stock Exchange in the course of conducting the market approach. However, after reviewing the published information on those companies, given that (i) the business scale of most of those companies are significantly larger than the Target Company; and/or (ii) those companies provide certain value-added services such as engineering and community leasing which are not directly comparable with the Target Company, DTZ was of the view that taking those companies to form a conclusive view on the valuation of the Target Company was inappropriate. This is similar to our findings in sub-section (b) below.

As such, in conducting the market approach, DTZ identified 5 comparable transactions announced by companies listed on the stock exchanges of Shenzhen, Shanghai or Hong Kong for the period from 1 January 2013 to the Valuation Date (the "**Selection Period**") that acquired controlling stake of companies principally engaging in property management services in the PRC that were profitable for the year before the relevant the transaction. DTZ conducted its search for comparable transactions through Bloomberg and Mergermarket, which are considered commonly used and reliable sources for valuation purpose. DTZ also cross-checked the selection results with the relevant announcements published by the companies to ensure data accuracy. We have discussed with DTZ its selection criteria and assessed the appropriateness of the comparables selected and are satisfied with the selection of the 5 comparable transactions to form the basis of the Valuation. Details of the 5 comparable transactions are set out in the Valuation Report in appendix II to the Circular.

For the selection of the valuation multiple, DTZ opted for the measure of price to earnings multiples (the "**PER(s)**") in view of the asset-light and debt-light characteristic of property management service business. In arriving the estimated PER of the Target Company, DTZ adjusted the weighting of the PERs of the 5 comparable transactions (the "**Weighting**") with two criteria, namely (i) the date when the transaction was announced, where a higher weighting was assigned to the relevant PERs if the announcement date was closer to the Valuation Date ("**Criterion 1**"); and (ii) the similarity of business scale to the Target Company ("**Criterion 2**"), where a higher weighting was assigned to the relevant PERs if the business scale was comparable to the Target Company. An illustration of the Weighting and criteria are set out below:

Target/Disposal company	Announcement Date (i.e. Criterion 1)	Latest reported sales prior to announcement (i.e. Criterion 2)	Latest reported net profit after tax prior to announcement (i.e. Criterion 2)	PER	Weighting
		RMB	*RMB*	*(times)*	
70% equity interest in Eastern Harbour Engineering Management Limited (東方海港工程管理有限公司) (**"Eastern Harbour"**)	5 February 2016	Not available	4,833,000	3.57	20%
100% equity interest in Shenzhen Han's Property Management Company Limited (深圳市大族物業管理有限公司) (**"Shenzhen Han's"**)	27 April 2015	33,993,800	1,416,700	7.66	20%

Target/Disposal company	Announcement Date (i.e. Criterion 1)	Latest reported sales prior to announcement (i.e. Criterion 2) *RMB*	Latest reported net profit after tax prior to announcement (i.e. Criterion 2) *RMB*	PER *(times)*	Weighting
100% equity interest in Shenzhen Kaiyuan International Property Management Company Limited (深圳市開元國際物業管理有限公司) (**"Shenzhen Kaiyuan"**)	16 February 2015	Not available	21,269,000	15.52	30%
100% equity interest in Beijing Yuehao Property Management Company Limited (北京悦豪物業管理有限公司) (**"Beijing Yuehao"**)	13 November 2013	91,554,454	8,056,669	5.67	15%
60% equity interest in Beijing Anxinhang Property Management Company Limited (北京安信行物業管理有限公司) (**"Beijing Anxinhang"**)	22 August 2013	149,131,200	13,913,700	9.76	15%
Target Company	**1 April 2016**	**399,467,000**	**34,097,000**		

Based on the discussion with DTZ, we understand that it considers some of the transactions should be given higher weighting, as opposed to an equal weighting of 20%, for the reasons set out below.

The sale and purchase of 100% equity interest in Shenzhen Kaiyuan took place in 2015, being a more recent transaction (around one year from the date of announcing the Disposal), and the business scale of Shenzhen Kaiyuan (in terms of net profit after tax, being the closest to that of the Target Company) is the most comparable to that of the Target Company. Therefore a higher weighting of 30% was deemed reasonable by DTZ and the extra 10% of weighting was taken from the remaining comparable transactions.

For the sale and purchase of 70% equity interest in Eastern Harbour and 100% equity interest in Shenzhen Han's, as explained by DTZ, they are most relevant in terms of transaction time as they took place within a year preceding the Valuation Date. However, since these two subject companies are much smaller than the Target Company in terms of the business scale, a lower weighting of 20% was assigned to each of these two transactions.

The business scales of Beijing Yuehao and Beijing Anxinhang are slightly more comparable than that of Eastern Harbour and Shenzhen Han's. The sale and purchase of Beijing Yuehao and Beijing Anxinhang are, however, as explained by DTZ, to be less relevant in terms of transaction time since they were conducted more than two years ago. A lower weighting of 15% was applied to each of these last two transactions.

We have gathered the relevant public information regarding Criterion 1 and Criterion 2 of the relevant comparable transactions as per the table above and evaluated them against the reasons given by DTZ, we are of the view that the Weighting assigned by DTZ with reference to Criterion 1 and Criterion 2 are reasonable.

Based on the above bases and assumptions, DTZ used the weighted average of the PERs of the 5 comparable transactions of approximately 9.22 times to multiply with the net profit attributable to the shareholders of the Target Company for FY2015 of approximately RMB32.0 million, and to arrive at the appraised value of the Target Company of approximately RMB295.0 million.

Having discussed the above market approach and reviewed with DTZ the reasons for adopting such valuation methodology, bases and assumptions, we are of the opinion that the chosen valuation methodology in establishing the Valuation is appropriate.

(b) PERs of the Comparable Companies

The Target Company, through Future Land Property Services, is principally engaged in residential property management in the PRC. In assessing the fairness and reasonableness of the consideration for the Disposal, we have attempted to compare the PERs represented by the consideration for the Disposal against the market valuation of companies listed on the Stock Exchange with principal activities of residential property management in the PRC (the "**Comparable Companies**") and a majority of revenue and profit generated from activities conducted in the PRC in the latest financial year. Based on the above criteria, we identified three Comparable Companies, namely Colour Life Services Group Company Limited (stock code: 1778) ("**Colour Life**"), Zhong Ao Home Group Limited (stock code: 1538) ("**Zhong Ao Home**") and China Overseas Property Holdings Limited (stock code: 2669) ("**China Overseas**"), which we consider to be exhaustive based on the selection criteria as set out above. The Comparable Companies identified by us and the comparable transactions identified by DTZ as set out in section (a) above are different by their nature as those comparable transactions identified by DTZ as their comparable transactions are market transactions involving sale and purchase of PRC property management companies took place in the recent past.

After our review of the published information on Colour Life and China Overseas, we are of view that Colour Life and China Overseas are not comparable to the Target Company for the reasons set out below.

Based on the annual reports of Colour Life and China Overseas for FY2015, the total contracted GFA managed by or under the consultancy agreements with Colour Life and the total GFA of the properties under the management by China Overseas on 31 December

2015 were 322.1 million sq.m. and 82.6 million sq.m. respectively, which represented almost 16 times and around 4 times of those of Future Land Property Services respectively. Similarly, the number of residential communities managed by or entered into consultancy services contracts with Colour Life and the number of properties managed by China Overseas were 2,001 and 427 respectively, which represented over 24 times and around 5 times of that of Future Land Property Services respectively, on the same date. Furthermore, nearly 40% of Colour Life's segment profit for FY2015 was generated from provisions of engineering services and community leasing, sales and other services, and approximately one-third of China Overseas' segment profit for FY2015 was generated from provision of value-added services, both of which were different from Future Land Property Services, the significant majority of the profit of which was generated from the provision of traditional residential property management services. Last but not least, according to the "2015 China Property Management Service TOP100 Enterprise Research" (the "**Research**") published by China Real Estate TOP10 Research, an independent research institute, Colour Life and China Overseas ranked 7th and 10th in the Research respectively, while Future Land Property Services was only at 23rd place.

On the other hand, based on its annual results announcement, Zhong Ao Home, with contracted GFA of approximately 33.8 million sq.m. and 167 properties under management as at 31 December 2015 and a significant majority (approximately 80.2% for FY2015) of gross profit contribution from the traditional residential property management services, is considered relatively more comparable to the Target Company for the purpose of assessing the consideration for the Disposal.

Based on the market capitalisation value of Zhong Ao Home of approximately HK$1,072.0 million as at the Latest Practicable Date and the net profit attributable to the shareholders of Zhong Ao Home, after excluding (i) listing expenses of approximately RMB35.9 million; (ii) one-off expenses comprising share-based payment expenses relating to the grant of pre-initial public offering (the "**Pre-IPO**") share options granted by Zhong Ao Home of approximately RMB14.6 million; and (iii) a change in the fair value of Pre-IPO investment of approximately RMB6.3 million, of Zhong Ao Home for FY2015 (as set out in the annual results announcement of the Zhong Ao Home for FY2015) of approximately RMB67.7 million, the historical PER of Zhong Ao Home was approximately 13.2 times, which was above the implied PER of approximately 10.0 times of the consideration for the Disposal (based on the consideration for the Disposal of RMB320.0 million divided by the profit attributable to the shareholders of the Target Company for FY2015 of approximately RMB32.0 million) (the "**Implied PER**").

It should be noted that Zhong Ao Home has only listed on the Stock Exchange since late November 2015 and a significantly amount of net proceeds raised from its initial public offering (the "**IPO**") remain unutilised, being RMB230.2 million, as at 31 December 2015. As such, the current market capitalisation value of Zhong Ao Home may not only reflect the value of operations of Zhong Ao Home but also the value of such idle and unutilised cash. In the event that such unutilised cash is deducted from the market capitalisation value of Zhong Ao Home on a dollar-for-dollar basis, the "ex-cash" implied historical PER of Zhong Ao Home would become approximately 9.8 times, which was almost at par with the Implied PER of approximately 10.0 times.

(c) Comparable Transactions

In order to assess the fairness of the consideration for the Disposal of RMB320.0 million, we have identified and reviewed, to the best of our knowledge and ability, the PERs of the market transactions in respect of the sale and purchase of controlling stake (i.e. over 50%) of property management companies in the PRC (the "**Comparable Transactions**") which took place since 2013 and until the Latest Practicable Date involving listed companies as either the purchaser or vendor. We consider the Comparable Transactions (to be exhaustive based on the selection criteria as set out above), in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the consideration for the Disposal. We also consider the period of selecting the Comparable Transactions (i.e. since 2013 and until the Latest Practicable Date), a period that covered market transactions that took place around three years preceding the Latest Practicable Date, to be a more recent and reasonable period to select the Comparable Transactions in order to draw a meaningful comparison with the consideration for the Disposal.

Details of the Comparable Transactions are set out as below:

Date of announcement	Purchaser/Vendor (stock code) *(Note 1)*	Stock exchange of the purchaser/ vendor	Acquisition/ Disposal	Target/Disposal company	Price *(RMB million)*	PER *(Note 2)* *(times)*
5 February 2016	Zhong Ao Home (1538)	The Stock Exchange	Acquisition	70% equity interest in Eastern Harbour	12.1	3.6
27 April 2015	Han's Laser Technology Industry Group Company Limited (大族激光科技產業集團股份(有限公司)) (002008)	The Shenzhen Stock Exchange	Disposal	100% equity interest in Shenzhen Han's	12.1	7.7
16 February 2015	Colour Life (1778) as purchaser and Fantasia Holdings Group Company, Limited (1777) ("**Fantasia**") as vendor	The Stock Exchange	Acquisition for Colour Life and disposal for Fantasia	100% equity interest in Shenzhen Kaiyuan *(Note 3)*	330.0	15.5
13 November 2013	Macrolink Real Estate Company Limited (新華聯不動產股份有限公司) (000620)	The Shenzhen Stock Exchange	Acquisition	100% equity interest in Beijing Yuehao	109.0	13.5
22 August 2013	Shenzhen World Union Properties Consultancy Company Limited (深圳世聯地產顧問股份有限公司) (002285)	The Shenzhen Stock Exchange	Acquisition	60% equity interest in Beijing Anxinhang	78.0	9.3
				Average		9.9
				Median		9.3
				Minimum		3.6
				Maximum		15.5
				The Disposal		10.0 *(Note 4)*

Source: Bloomberg and Mergermarket (http://www.mergermarket.com/)

Notes:

(1) Includes the listed company's subsidiaries.

(2) Based on the actual or implied valuation for the 100% equity interest in the target or disposal company divided by the latest published full-year net profit attributable to the shareholders of the target or disposal company.

(3) Although we are of the view that Colour Life is not comparable to the Target Company as set out in sub-section (b) above, we are of view that the sale and purchase of the 100% equity interest in Shenzhen Kaiyuan, being the acquisition subject, nevertheless met the selection criteria for the Comparable Transactions and should be included for the purpose of our analysis above.

(4) Based on the consideration for the Disposal of RMB320.0 million divided by the net profit attributable to the shareholders of the Target Company for the year ended 31 December 2015 of approximately RMB32.0 million (i.e. the Implied PER).

As illustrated above, the PERs of the Comparable Transactions are calculated based on the respective consideration and the latest published full-year results of the target/disposal companies. The PERs of the Comparable Transactions range from approximately 3.6 times to 15.5 times, with an average and a median of approximately 9.9 times and 9.3 times respectively. The Implied PER is within the range of the PERs and almost at par with the average PER of the Comparable Transactions.

6. Financial effects of the Disposal on the Group

(a) Earnings attributable to the Shareholders

Upon Completion, the Company will not hold any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company. The financial results of the Target Company will, therefore, be deconsolidated from those of the Group.

The consolidated net profit attributable to the shareholders of the Target Company was approximately RMB32.0 million for FY2015 and the consolidated net profit attributable to the Shareholders was approximately RMB1,030.9 million for FY2015.

Assuming Completion took place on 1 January 2015, the estimated gain on the Disposal would be approximately RMB308.5 million (subject to audit and tax, if any), which was derived from the consideration for the Disposal of RMB320.0 million less the sum of (i) the consolidated net assets attributable to the shareholders of the Target Company of approximately RMB10.2 million (prepared in accordance with the PRC GAAP) as at 31 December 2014; and (ii) the estimated transaction costs of approximately RMB1.3 million. Based on the estimated one-off gain on the Disposal above and assuming Completion took place on 1 January 2015, the consolidated net profit attributable to the Shareholders for FY2015 would increase by approximately 26.8% to approximately RMB1,307.4 million.

(b) Net assets attributable to the Shareholders

Upon Completion, the Target Company will cease to be a subsidiary of the Company and, accordingly, all assets and liabilities of the Target Company will be deconsolidated from those of the Group.

As at 31 December 2015, the consolidated net assets attributable to the Shareholders was approximately RMB8,170.4 million and the consolidated net liabilities attributable to the shareholders of the Target Company was approximately RMB15.9 million (prepared in accordance with the PRC GAAP).

Assuming Completion took place on 31 December 2015, the estimated gain on the Disposal would be approximately RMB334.6 million (subject to audit and tax, if any) (the "**Estimated Gain on the Disposal**"), which was derived from the consideration for the Disposal of RMB320.0 million less the sum of (i) the consolidated audited net liabilities attributable to the shareholders of the Target Company of approximately RMB15.9 million (prepared in accordance with the PRC GAAP) as at 31 December 2015; and (ii) the estimated transaction costs of approximately RMB1.3 million. Based on the Estimated Gain on the Disposal and assuming Completion took place on 31 December 2015, the consolidated net assets attributable to the Shareholders as at 31 December 2015 would increase by approximately 4.1% to approximately RMB8,505.0 million.

(c) Gearing and liquidity

As at 31 December 2015, the gearing ratio of the Group was approximately 83.3%, representing the net debt of approximately RMB11,218.0 million (i.e. total borrowings of approximately RMB18,980.5 million less the sum of cash and cash equivalents and restricted cash of approximately RMB7,762.5 million) divided by total equity of approximately RMB13,463.3 million. Assuming Completion took place on 31 December 2015, the net debt of the Group would reduce to approximately RMB11,020.0 million after taking into account (i) the net cash proceed from the Disposal of approximately RMB318.7 million (the "**Net Cash Proceed**"), being the consideration for the Disposal RMB320.0 million less the estimated transaction costs of approximately RMB1.3 million; and (ii) the consolidated cash balance of the Target Company of approximately RMB120.7 million as 31 December 2015. Similarly, the total equity of the Group would increase to approximately RMB13,794.8 million, after taking into account the Estimated Gain on the Disposal of approximately RMB334.6 million and the consolidated equity attributable to the non-controlling interest of the Target Company of approximately RMB3.1 million as at 31 December 2015. Based on the above, the gearing ratio of the Group upon Completion would reduce by approximately 3.4% to approximately 79.9%, which was determined based on the net debt of approximately RMB11,020.0 million divided by the aforesaid total equity of approximately RMB13,794.8 million.

As at 31 December 2015, the Group had net working capital, i.e. total current assets less total current liabilities, of approximately RMB12,232.7 million. Assuming Completion took place on 31 December 2015 and after taking into account (i) the Net Cash Proceed of approximately RMB318.7 million; and (ii) the consolidated net negative working capital of the Target Company as at 31 December 2015 of approximately RMB19.5 million, the net working capital of the Group as at 31 December 2015 would increase by approximately 2.8% to approximately RMB12,570.9 million.

DISCUSSION AND ANALYSIS

Following completion of the Restructuring in December 2015, two operating segments of the Company clearly emerged, being (i) Future Land Holdings, which is the Company's flagship A Share listed company mainly engaged in development of residential properties and mixed-use complexes for sale and investment; and (ii) residential property management and other service companies of the Group not held within Future Land Holdings which are mainly engaged in residential property management and other services including certain newly established businesses which are currently at start-up stage. Future Land Holdings is the main revenue and profit driver for the Group and the largest segment of the Group in terms of asset scale. On the other hand, the Non-A Share Companies contributed to the financial performance and financial position of the Group to a much lesser extent.

The Target Group is principally engaged in the provision of traditional residential property management services in mass residential properties mainly in the Yangtze River Delta region of the PRC with a significant majority of these properties under management are located in second to third tier Chinese cities. While the profit contribution of the Target Group to the Group was insignificant, the number of staff employed by the Target Group accounts for around 40% of that of the Group, which was identified by management of the Group as a source of inefficiency and an administrative and operational burden for the Group.

Given the Group has plans for exploring new business models, further optimising the Company's diversification strategy and eliminating the administrative and operational inefficiencies from the residential property management business, the Disposal is an opportunity for the Group to dispose of the residential property management business, being its non-core business, and to focus on the development of other businesses, including children's entertainment business, cinema business and smart storage business, and the exploration of new business models. Furthermore, the Disposal represents a good opportunity for the Group to realise its investment in the Target Company, which carried net liabilities as at 31 December 2015, at an estimated gain of approximately RMB334.6 million (subject to audit and tax, if any).

The consideration for the Disposal of RMB320.0 million was determined and agreed between the parties to the Equity Transfer Agreement after arm's length negotiations based on normal commercial terms, with reference to the valuation of the Target Company of RMB295.0 million as at the Valuation Date (i.e. 29 February 2016) prepared by the independent valuer, DTZ, by market approach with reference to comparable market transactions. The consideration for the Disposal represents a premium of approximately 8.5% over the appraised value.

The Implied PER was approximately 10.0 times, which was below the PER of Zhong Ao Home of approximately 13.2 times. Having considered the newly listed status and adjusted for the substantial balance of unutilised IPO proceed of Zhong Ao Home, the "ex-cash" implied historical PER of Zhong Ao Home would become approximately 9.8 times, which was almost at par with the Implied PER of approximately 10.0 times.

Based on the Comparable Transactions, the PERs of the Comparable Transactions range from 3.6 times to 15.5 times, with an average and median of approximately 9.9 times and 9.3 times respectively. The Implied PER is within the range of the PERs and almost at par with the average PER of the Comparable Transactions.

The financial effects of the Disposal on the Group are expected to be positive. The estimated gain on the Disposal is expected to increase both of the consolidated earnings and consolidated net assets attributable to the Shareholders. Also, both the working capital and gearing of the Group are expected to improve as a result of the Disposal.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Disposal, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and the terms of the Disposal are fair and reasonable as far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Disposal.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

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 therein or this circular misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests of the Directors in the Shares 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 he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Wang Zhenhua	Founder of a discretionary trust(2)	4,105,450,000 (L)	72.56%
Liu Yuanman	Beneficiary of a trust(3)	1,250,000 (L)	0.02%
	Beneficial owner(5)	3,750,000 (L)	0.07%
Lv Xiaoping	Beneficiary of a trust(3)	3,000,000 (L)	0.05%
	Beneficial owner(5)	9,000,000 (L)	0.16%
Wang Xiaosong	Interest in a controlled corporation(4)	16,800,000 (L)	0.30%
	Beneficial owner(5)	6,000,000 (L)	0.11%
Liang Zhicheng	Beneficiary of a trust(3)	950,000 (L)	0.02%
	Beneficial owner(5)	2,850,000 (L)	0.05%
Chan Wai Kin	Interest of spouse(6)	300,000 (L)	0.01%

Notes:

(1) The letter "L" denotes the long position in Shares.

(2) Mr. Wang Zhenhua is the founder of the Hua Sheng Trust, through which Standard Chartered Trust (Singapore) Limited held long position in 4,105,450,000 Shares through its controlled corporation in its capacity as trustee.

(3) These Directors are grantees under the pre-IPO share award scheme.

(4) Mr. Wang Xiaosong is the beneficial owner of all the issued share capital of Dynasty Snow (PTC) Ltd., which in turn held 16,800,000 Shares. Mr. Wang Xiaosong is also interested in 2,000,000 Shares out of the 16,800,000 Shares held by Dynasty Snow (PTC) Ltd., by virtue of his interest in the Shares granted to him under the pre-IPO share award scheme.

(5) The Shares were vested on these Directors on 31 December 2013, 31 December 2014 and 31 December 2015 pursuant to the pre-IPO share award scheme.

(6) Such 300,000 Shares are held by Ms. Chan Wing Yan, the spouse of Mr. Chan Wai Kin, and accordingly, Mr. Chan Wai Kin was deemed to be interested in such 300,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors was also directors or employees of a company which has an interest or short position in the Shares and underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENT

None of the Directors has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

Upon Completion, Mr. Wang Zhenhua will be interested in the entire equity interests of the Target Company which is principally engaged in the residential property management business in the PRC. Meanwhile, the Group will continue to carry out its commercial property management business in the PRC, which is an integrated part of the Group's commercial property development business. Due to the clear delineation of businesses and different target customers, the Directors consider that the operations of the Target Company will not affect or be in direct or indirect competition with the Group's businesses and will not constitute a breach of the deed of non-competition dated 15 November 2012 entered into by Mr. Wang Zhenhua in favour of the Company.

DIRECTORS' INTEREST IN CONTRACT AND ASSETS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and significant in relation to the businesses of the Group.

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

EXPERT AND CONSENT

The following are the qualifications of the experts, who have given opinions contained in and referred to in this circular:

Name	Qualification
Somerley	a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DTZ	an independent valuer

Each of Somerley and DTZ has given and has not withdrawn its written consent to the issue of this circular, with the inclusion thereof and the references to its name and/or its opinions in the form and context in which they are included.

As at the Latest Practicable Date, Somerley and DTZ had no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley and DTZ have no direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

The letter from Somerley and DTZ's valuation report were issued on the date of this circular for incorporation herein.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at Units 7801-03, 78/F, The Centre, 99 Queen's Road Central, Hong Kong for a period of 14 days from the date of this circular:

(a) this circular;

(b) the Equity Transfer Agreement;

(c) the letter from the Independent Board Committee as set out in this circular;

(d) the letter from Somerley as set out in this circular;

(e) the valuation report of the Target Company from DTZ as set out in this circular;

(f) the written consent of Somerley; and

(g) the written consent of DTZ.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent valuer, in connection with its valuation of 100% equity interest in Changzhou Chuangyue Consultancy Co., Ltd as at 29 February 2016.

DTZ CUSHMAN & WAKEFIELD
戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

18 April 2016

The Directors
Future Land Development Holdings Limited
8/F, No. 388-6 Zhangjiang Road
Putuo District
Shanghai
the People's Republic of China

Dear Sirs,

Re: Valuation of the 100% equity interest in Changzhou Chuangyue Consultancy Co., Ltd

In accordance with the instructions from Future Land Development Holdings Limited (hereinafter referred to as the "Company") to us to conduct a valuation of the 100% equity interest in 常州創悅咨詢管理有限公司 (Changzhou Chuangyue Consultancy Co., Ltd^) (referred to as the "Target Company"), we are pleased to report that we have made relevant enquiries and obtained necessary information for the purpose of providing our valuation as at 29 February 2016 (hereinafter referred to as the "Valuation Date").

This report states the purpose and basis of valuation, scope of work, source of information, major assumptions, valuation methodology, limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

The purpose of this valuation is to value the 100% equity interest in the Target Company for your disposal reference purpose only.

We assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If any party chooses to rely in any way on the contents of this report, they do so entirely at their own risk.

^ *For identification purpose only*

2. BASIS OF VALUATION

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

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and/or its representatives (together referred to as the "Management").

In the course of our valuation work, the following processes had been conducted to evaluate the reasonableness of the adopted basis and assumptions provided by the Management:

- Discussed with the Management and obtained relevant financial information in respect of the Target Company;
- Examined the relevant bases and assumptions of the financial information in respect of the Target Company;
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Presented the purpose and basis of valuation, scope of work, source of information, major assumptions, valuation methodology and our opinion of value in this report.

4. SOURCE OF INFORMATION

In arriving at our assessment of the value of the 100% equity interest in the Target Company, we have relied on the following information that was provided to us by the Management, as well as other publicly available information that we have gathered through our own research, including, but not limited to, the following:

- Copies of business licenses and other relevant documents of the Target Company;
- Audited financial statements of the Target Company for the financial year ended 31 December 2015;
- Publicly available information on comparable transactions;
- Financial information obtained from Bloomberg Terminal™ and Mergermarket; and
- Other public information relating to the valuation.

5. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The information provided has been prepared on a reasonable basis after due and careful consideration by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;
- Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing;
- The core business operation of the Target Company will not differ materially from those of present or expected; and
- The information regarding the Target Company provided by the Management is true and accurate.

6. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the 100% equity interest in the Target Company, namely the market approach, the income approach and the cost approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Market Approach

The market approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm’s length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. The market approach comprises two methods namely guideline public company method and guideline transaction method.

The guideline public company method focuses on analyzing the data and valuation multiples of publicly listed companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. Finally, appropriate valuation multiples are applied to the subject company's normalized financial data to arrive at an indication of the value of the subject company.

The guideline transaction method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When the guideline transaction method is utilized, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. The application of the guideline transaction method results in an estimate of the price reasonably expected to be realized from the sale of the company.

Income Approach

The income approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing a substitute asset with equal utility as the subject asset. Under the cost approach, the historical cost method measures the cost incurred through the development of the subject asset at the time it was developed; the replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset; and the replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that market approach is more appropriate for valuing the 100% equity interest in the Target Company.

While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business. Income approach requires detailed financial forecast of the Target Company in the projected period, which involves adoption of much more subjective assumptions than the other two approaches, not all of which can be easily quantified or ascertained. Thus, we consider market approach to be more appropriate for valuing the 100% equity interest in the Target Company as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

In adopting the market approach, we consider that the guideline public company method is inappropriate as we have not identified sufficient public companies which are comparable in terms of business nature and scale. Therefore, we have used guideline transaction method in this valuation.

Selection Criteria for Comparable Transactions

In the valuation, we used the market approach by referring to sale and purchase transactions of property management companies in the PRC. Comparable transactions were identified and selected from Bloomberg Terminal™ and Mergermarket based on the following criteria:

1. The subject company is principally engaged in property management business in the PRC;

2. The subject company was profitable for the year before the sale and purchase transaction;

3. The sale and purchase transaction was on a controlling stake of the subject company;

4. More transaction information should be publicly available if either the buyer or the seller of the subject company was a listed company. Therefore, either the buyer or the seller of the subject company was listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, including the listed company's subsidiaries, was considered; and

5. The searching period should be able to identify sufficient quantity of comparable transactions to facilitate effective assessment. Accordingly, the searching period is the recent three years up to the Valuation Date.

Comparable Transactions

An exhaustive list of publicly identifiable of five sale and purchase transactions (referred to as the "Comparable Transactions") satisfying the above selection criteria has been compiled. Details of the Comparable Transactions are as follows:

Comparable Transaction 1

Announcement date:	5 February 2016
Acquirer:	Zhong Ao Property Services (Hong Kong) Limited
Asset to be acquired:	70% equity interest in Eastern Harbour Engineering Management Limited
Consideration:	RMB12,066,038

Comparable Transaction 2

Announcement date:	27 April 2015
Acquirer:	Han's Group Co., Ltd.
Asset to be acquired:	100% equity interest in Shenzhen Han's Property Management Co Ltd
Consideration:	RMB12,058,200

Comparable Transaction 3

Announcement date:	16 February 2015
Acquirer:	Shenzhen Colour Life Services Group Company Limited
Asset to be acquired:	100% equity interest in Shenzhen Kaiyuan International Property Management Co., Ltd.
Consideration:	RMB330,000,000

Comparable Transaction 4

Announcement date:	13 November 2013
Acquirer:	Macrolink Real Estate Co Ltd
Asset to be acquired:	100% equity interest in Beijing Yuehao Property Management Co Ltd
Consideration:	RMB109,000,000

Comparable Transaction 5

Announcement date:	22 August 2013
Acquirer:	Shenzhen World Union Properties Consultancy Co Ltd
Asset to be acquired:	60% equity interest in Beijing Anxinhang Property Management Co. Ltd
Consideration:	RMB78,000,000

Selection of Value Multiples

In this valuation task, we have considered various commonly used value multiples, including (i) price to earnings ("P/E"); (ii) price to sales ("P/S") and (iii) price to net book value ("P/B"). Based on the asset-light and debt-light characteristics of property management service business, we consider that P/E multiple is the most appropriate in this valuation task and therefore have been adopted.

P/S multiple is commonly used in the valuation of start-up enterprises. However, it ignores the cost structure of a company and hence the profitability of a company, which is critical in reflecting the market value of the 100% equity interest in the Target Company.

P/B multiple is usually adopted in the valuation of asset-intensive companies. However, it does not take into consideration of the profitability of a company.

We consider P/E multiple as the most relevant and therefore has been adopted in this valuation task as P/E is the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value.

P/E Multiples of the Comparable Transactions

The P/E multiple of each of the Comparable Transactions was arrived at based on the consideration, equity interest acquired and the latest available historical net profit before the sale and purchase transaction. Different weightings have been applied to the Comparable Transactions in coming up with the P/E multiple with reference to the date of the sale and purchase transactions and the proximity of the transacted companies' business scale to that of the Target Company. Details are listed below:

	Announcement Date	**Target Company**	**Weighting**	**P/E**
1.	5 February 2016	Eastern Harbour Engineering Management Limited	20%	3.57
2.	27 April 2015	Shenzhen Han's Property Management Co Ltd	20%	7.66
3.	16 February 2015	Shenzhen Kaiyuan International Property Management Co., Ltd.	30%	15.52
4.	13 November 2013	Beijing Yuehao Property Management Co Ltd	15%	5.67
5.	22 August 2013	Beijing Anxinhang Property Management Co. Ltd	15%	9.76
	Weighted Average:			9.22

Comparable Transaction 3 took place in 2015 and the business scale of transacted company is most comparable to that of the Target Company. Therefore a higher weighting of 30% was assigned to this comparable.

Both Comparable Transactions 1 and 2 are most relevant in terms of transaction time as they took place within a year preceding the Valuation Date. However, since these two transacted companies are much smaller than the Target Company in terms of the business scale, a lower weighting of 20% was assigned to each of these two transactions.

The business scales of the transacted companies of Comparable Transactions 4 and 5 are more comparable than the first two comparable transactions but they are, however, inferior in terms of transaction time. A less weighting of 15% was applied to each of these last two transactions.

Applying the Weighted Average P/E Multiple to the Net Profit attributable to Shareholders of the Target Company

The weighted average P/E of the Comparable Transactions was then applied to the net profit attributable to shareholders of the Target Company for the year ended 31 December 2015 to arrive at the market value of the 100% equity interest in the Target Company. Details are listed below:

Weighted average P/E of the Comparable Transactions:	9.22
Net profit attributable to shareholders of the Target Company for the year ended 31 December 2015:	RMB32,020,055
Market value of 100% equity interest in the Target Company:	RMB295,000,000 (rounded)

7. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management, including written information and oral representation, in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Finally and in accordance with our standard practice, we must state that this report and valuation are for the exclusive use only of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of its contents.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB). We hereby confirm that we have neither present nor prospective interests in the Company, the Target Company or the value reported herein.

9. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of the 100% equity interest in the Target Company as at the Valuation Date is, in our opinion, reasonably estimated as **RMB295,000,000 (RENMINBI TWO HUNDRED AND NINETY FIVE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited

Andrew K. F. Chan
Registered Business Valuer registered with
The Hong Kong Business Valuation Forum
MSc, MHKIS, MCIREA
Senior Director, Valuation & Advisory Services

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited

Pakky Chan
CFA
Associate Director, Valuation
& Advisory Services

新城发展
FUTURE HOLDINGS

Future Land Development Holdings Limited
新 城 發 展 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1030)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**Meeting**") of Future Land Development Holdings Limited (the "**Company**") will be held at 10:00 a.m. on Wednesday, 4 May 2016 at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-la, Hong Kong, 64 Mody Road, Kowloon, Hong Kong for considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the Equity Transfer Agreement (as defined in the circular of the Company dated 18 April 2016, a copy of which agreement marked "A" has been tabled before the Meeting and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are be hereby approved, ratified and confirmed; and

(b) the directors of the Company or any one of them be and are hereby authorised on behalf of the Company to do all such things and approve, sign, seal, execute, perfect and deliver all such agreements, documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or giving effect to any matters relating to the Equity Transfer Agreement and the transactions contemplated thereunder."

By Order of the Board
Future Land Development Holdings Limited
WANG Zhenhua
Chairman

Hong Kong, 18 April 2016

Registered office:
Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Principal place of business in Hong Kong:
36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

Notes:

(i) A shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. On a poll, votes may be given either personally or by proxy.

(ii) In the case of joint holders, 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 were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

As at the date of this announcement, the directors of the Company are Mr. Wang Zhenhua, Mr. Lv Xiaoping, Mr. Lu Zhongming, Mr. Liu Yuanman and Mr. Chan Wai Kin as executive directors, Mr. Wang Xiaosong as non-executive director, and Mr. Chen Huakang, Mr. Zhu Zengjin and Mr. Zhong Wei as independent non-executive directors.