

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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



**(1) MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF
A 51% INTEREST IN TWO NEW METRO PROPERTY PROJECTS;
(2) NOTICE OF GENERAL MEETING; AND
(3) CLOSURE OF REGISTER OF MEMBERS**

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



A notice convening the GM (as defined herein) of Yuexiu Property Company Limited to be held at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 13 October 2020 at 10:30 a.m. as set out on pages GM-1 to GM-2 of this circular. Whether or not you are able to attend the General Meeting, please complete and sign the form of proxy for use at the General Meeting in accordance with the instructions printed thereon and return the same to the share registrar of Yuexiu Property Company Limited, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjourned meeting thereof (as the case may be). Please see page ii of this circular for precautionary measures that the Company will implement at the GM in consideration of the continuing risk posed by coronavirus disease (COVID-19), including:

- compulsory wearing of face masks and any attendees who do not wear face masks may be requested to leave or denied entry into the GM venue;
- compulsory hand sanitizing before entry into the GM venue;
- body temperature checks/screening before entry into the waiting area outside the GM venue; and
- **no** food and beverage service and **no** handing out of gift coupons or souvenirs.

The Company would like to remind all shareholders of the Company ("Shareholder") that physical attendance at the GM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the GM as their proxy to vote on the relevant resolutions at the GM instead of attending the GM in person. Completion and return of the proxy forms will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

CONTENTS

PRECAUTIONARY MEASURES FOR GM	ii
TIMETABLE	iii
DEFINITIONS	1
LETTER FROM THE BOARD	9
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	30
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	31
APPENDIX I FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX IIA ACCOUNTANT'S REPORT ON THE SHUIXI TARGET HOLDING COMPANY	IIA-1
APPENDIX IIB ACCOUNTANT'S REPORT ON THE ZHENLONG TARGET HOLDING COMPANY	IIB-1
APPENDIX IIIA MANAGEMENT DISCUSSION AND ANALYSIS OF THE SHUIXI TARGET GROUP	IIIA-1
APPENDIX IIIB MANAGEMENT DISCUSSION AND ANALYSIS OF THE ZHENLONG TARGET GROUP	IIIB-1
APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	IV-1
APPENDIX VA VALUATION REPORT ON THE SHUIXI TARGET HOLDING COMPANY	VA-1
APPENDIX VB VALUATION REPORT ON THE ZHENLONG TARGET HOLDING COMPANY	VB-1
APPENDIX VC VALUATION REPORT ON THE NEW METRO PROPERTY PROJECTS	VC-1
APPENDIX VI GENERAL INFORMATION	VI-1
NOTICE OF GENERAL MEETING	GM-1

PRECAUTIONARY MEASURES FOR GM

In consideration of the continuing risk posed by the coronavirus disease (COVID-19) and to manage the potential health risks of persons attending the GM, the Company will implement the following precautionary measures at the GM:–

- (1) All attendees must wear face masks at all times inside the GM venue or at the waiting area outside the GM venue. Any attendees who do not wear face masks may be requested to leave or denied entry into the GM venue.
- (2) All attendees must clean their hands with alcohol-based hand sanitizer before entering the GM venue.
- (3) Body temperature checks/screening will be conducted on all persons before they enter the waiting area outside the GM venue. Any person with a body temperature of over 37.2 degrees Celsius may be requested to leave or denied entry into the GM venue.
- (4) **No** food and beverage service will be provided and there will be **no** handing out of gift coupons or souvenirs.
- (5) Attendees may need to confirm that (i) he/she has not travelled outside of Hong Kong within 14 days immediately before the GM (“Recent Travel History”); (ii) he/she is not subject to any HKSAR Government prescribed quarantine requirement; (iii) to his/her knowledge, he/she has not, within 14 days immediately before the GM, had close contact with any person under quarantine or with Recent Travel History; and (iv) he/she has no flu-like symptoms. Any person who fails to provide the required confirmation, or if he/she has shown flu-like symptoms, may be requested to leave or denied entry into the GM venue.
- (6) Only a limited number of seats will be available, with no standing arrangement, in the GM venue in order to ensure social distancing and therefore, where necessary, the Company may limit the number of attendees entering the GM venue.

The Company will continue to monitor how the COVID-19 outbreak develops and may adopt additional measures.

The Company reminds attendees that they should carefully consider their own health/personal circumstances before they decide to attend the GM in person. The Company would like to remind all Shareholders that physical attendance at the GM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the GM as their proxy to vote on the relevant resolutions at the GM instead of attending the GM in person. Completion and return of the proxy forms will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

The proxy form is attached to this circular for registered Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the “Investor Relations” section of the Company’s website at www.yuexiuproperty.com and the Stock Exchange’s website at www.hkexnews.hk. If you are not a registered Shareholder (if your shares are held via banks, brokers or custodians), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of a proxy.

If Shareholders choosing not to attend the GM in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company via email: ir@yuexiuproperty.com

TIMETABLE

EXPECTED TIMETABLE FOR THE ACQUISITIONS AND THE GM

Despatch of GM circular and the GM NoticeWednesday, 23 September 2020

Latest time for lodging transfer documents for
entitlements to the right to attend and
vote at the GM4:30 p.m.,
Thursday, 8 October 2020

GMTuesday, 13 October 2020

Announcement of voting results of the GMTuesday, 13 October 2020

Notes:

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

DEFINITIONS

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

“Acquisitions”	acquisition of the Target Holdco Equity Interests and the Target Holdco Loan Rights as described in the section headed “The Acquisitions – Subject matter and consideration of the Acquisitions”
“Announcement”	the announcement of the Company dated 1 September 2020 in relation to the Acquisitions
“Appraised Value Approach”	has the meaning given to it in the section headed “Basis of determination of consideration for the Shuixi Acquisition and the Zhenlong Acquisition”
“Appraised Value(s)”	the market value of the relevant New Metro Property Project or the relevant Target Holding Company (as the case may be) as at 30 June 2020 as determined by the Independent Valuer
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Yuexiu Property Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Enlarged Group”	the Group as enlarged by the Acquisitions
“Equity Transfers”	collectively, the Shuixi Equity Transfer and the Zhenlong Equity Transfer
“GCCD”	廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.), a company established in the PRC with limited liability which is indirectly owned as to 95% by the Company and 5% by GZYX

DEFINITIONS

“GFA”	gross floor area
“GM”	the general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Transaction Documents and the transaction contemplated thereunder (namely, the Acquisitions)
“Group”	the Company and its subsidiaries
“Guangzhou Metro”	廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.*), a directly wholly-owned subsidiary of Guangzhou Municipal People’s Government of the PRC
“Guangzhou Xingcheng”	廣州市興城實業發展有限公司 (Guangzhou Xingcheng Property Development Ltd.*), a company established in the PRC with limited liability which is a subsidiary of the Company and owns as to 10% of the Purchaser.
“GZYX”	廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*), a company established in the PRC with limited liability, which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC and is the ultimate controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose, established to advise the Independent Shareholders in respect of whether the Acquisitions are fair and reasonable and as to voting
“Independent Financial Adviser”	Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the Acquisitions are fair and reasonable and as to voting

DEFINITIONS

“Independent Shareholders”	<p>(a) for the purpose of the Shuixi Acquisition, Shareholders other than (i) any Shareholder who has a material interest in the Shuixi Acquisition other than its interest as a Shareholder; and (ii) any close associate of such Shareholder referred to in (a)(i); and</p> <p>(b) for the purpose of the Zhenlong Acquisition, Shareholders other than (i) any Shareholder who has a material interest in the Zhenlong Acquisition other than its interest as a Shareholder; and (ii) any close associate of such Shareholder referred to in (b)(i)</p>
“Independent Third Party(ies)”	third part(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected to any of the connected persons of the Company
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Latest Practicable Date”	18 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Metro Property Projects”	collectively, the Shuixi Project and the Zhenlong Project and each a “ New Metro Property Project ”
“Option Announcement”	means the voluntary announcement made by the Company dated 5 June 2020 in relation to the YXP Options
“PRC”	the People’s Republic of China and for the purpose of this circular excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co., Ltd.*), a company established in the PRC with limited liability and which is a subsidiary of GCCD (which is in turn indirectly owned as to 95% by the Company and 5% by GZYX

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Science City”	科學城(廣州)投資集團有限公司 (Science City (Guangzhou) Investment Group Limited*), a company established in the PRC with limited liability
“Seller”	泉佳有限公司 (Strong Arise Limited), a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of GZYX
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shuixi Acquisition”	the acquisition of the Shuixi Target Holdco Equity Interests and the Target Holdco Loan Rights in respect of Shuixi Target Holding Company
“Shuixi Equity Transfer”	the transfer of the entire equity interest in Shuixi Target Holding Company from the Seller to the Purchaser
“Shuixi Option Deed”	the option deed entered into between GZYX and the Company dated 4 June 2020 in relation to the Shuixi Project
“Shuixi Target Company”	廣州市品冠房地產開發有限公司 (Guangzhou City Pinguan Property Development Company Limited*), a company established in the PRC with limited liability, which is owned as to 51%, 29% and 20% by the Shuixi Target Holding Company, Guangzhou Metro and Science City respectively as at Latest Practicable Date
“Shuixi Target Group”	Collectively, the Shuixi Target Holding Company and the Shuixi Target Company
“Shuixi Target Holdco Equity Interests”	the entire equity interests in Shuixi Target Holding Company which in turn holds 51% equity interests in Shuixi Target Company

DEFINITIONS

“Shuixi Target Holding Company”	廣州泉西實業發展有限公司 (Guangzhou Quanxi Industrial Development Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of GZYYX as at as at Latest Practicable Date, which in turn owns 51% of equity interest in the Shuixi Target Company
“Shuixi Transaction Documents”	collectively, the Shuixi Equity Transfer Agreement, the Shuixi Loan Assignment Agreement and the Shuixi Loan Repayment Agreement
“Special Loan Rights”	all of rights, title, interest and benefit of GZYYX in and to the Special Loans
“Special Loans”	has the meaning given to it in the section headed “The Acquisitions – Subject matter and consideration of the Acquisitions”
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surplus Funds”	means, subject to the requirements from the relevant financial institutions and governmental authorities, the remaining surplus from the revenue of the relevant Target Company after deducting the operating costs, repayment of loans from financial institutions and capital required for the development and construction of the relevant New Metro Property Project
“Target Companies”	collectively, the Shuixi Target Company and the Zhenlong Target Company
“Target Group”	means the Target Holding Companies and Target Companies
“Target Holdco Equity Interests”	collectively, Shuixi Target Holdco Equity Interest and Zhenlong Target Holdco Equity Interest
“Target Holdco Loan Rights”	all of rights, title, interest and benefit of GZYYX in and to the Target Holdco Loans

DEFINITIONS

“Target Holdco Loans”	has the meaning given to it in the section headed “The Acquisitions – Subject matter and consideration of the Acquisitions”
“Target Holding Companies”	collectively, the Shuixi Target Holding Company and the Zhenlong Target Holding Company and each a “ Target Holding Company ”
“Target Special Loans”	means loans owing by a Target Company to GZYZ or (following the Target Special Loans Swap) the relevant Target Holding Company pursuant to the relevant Target Special Loans Agreement and the Target Special Loans Swap, each bearing interest at the rate of 6.5% per annum and repayable by the relevant Target Company from its Surplus Funds before there should be any repayment of the pro-rata shareholders’ loans advanced to such Target Company
“Target Special Loans Agreements”	means the special loans agreement dated 19 August 2020 between the Shuixi Target Company and GZYZ and the special loans agreement dated 19 August 2020 between the Zhenlong Target Company and GZYZ, pursuant to which GZYZ is required to extend Target Special Loans in the amounts of up to approximately RMB294.4 million and RMB399.1 million, respectively, to the Shuixi Target Company and Zhenlong Target Company to satisfy their respective operating funding needs, provided that GZYZ’s rights and obligations under each such agreement will be transferred to and assumed by the relevant Target Holding Company pursuant to the Target Special Loans Swap

DEFINITIONS

“Target Special Loans Swap”	means, in relation to each Target Company, the following steps to be taken pursuant to a loan restructuring agreement dated 1 September 2020 amongst such Target Company, GZYY and the relevant Target Holding Company: (a) GZYY will extend a loan equivalent to the principal amount of the relevant Target Special Loan owing by such Target Company to GZYY and outstanding as at the Latest Practicable Date (being RMB37.3 million in respect of Shuixi Target Company or RMB82.7 million in respect of Zhenlong Target Company) to the relevant Target Holding Company; (b) the relevant Target Holding Company will in turn extend a Target Special Loan in an equivalent amount to such Target Company to refinance the principal amount of the first-mentioned Target Special Loan; (c) interest accrued on the first-mentioned Target Special Loan up to the date of such refinancing will be repaid by such Target Company out of their own funds; and (d) the rights and obligations of GZYY under the relevant Target Special Loans Agreement will be transferred to and assumed by the relevant Target Holding Company
“Total Acquisition Amounts”	the aggregate amount payable by the Purchaser and/or GCCD for the Acquisitions, and “ Total Acquisition Amount ” shall mean the aggregate amount payable by the Purchaser and/or GCCD for the Shuixi Acquisition or the Zhenlong Acquisition (as the context requires)
“Total Contribution Approach”	has the meaning given to it in the section headed “Basis of determination of consideration for the Shuixi Acquisition and the Zhenlong Acquisition”
“Transaction Documents”	collectively, the Shuixi Equity Transfer Agreement, the Shuixi Loan Assignment Agreement, the Shuixi Loan Repayment Agreement, the Zhenlong Equity Transfer Agreement, the Zhenlong Loan Assignment Agreement and the Zhenlong Loan Repayment Agreement, and each a “Transaction Document”
“YXE”	Yue Xiu Enterprises (Holdings) Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of GZYY

DEFINITIONS

“YXP Option Deeds”	the Shuixi Option Deed and the Zhenlong Option Deed
“YXP Options”	the right granted to the Company by GZYY pursuant to the YXP Option Deeds
“Zhenlong Acquisition”	the acquisition of the Zhenlong Target Holdco Equity Interests and the Target Holdco Loan Rights in respect of Zhenlong Target Holding Company
“Zhenlong Equity Transfer”	means the transfer of the entire equity interest in Zhenlong Target Holding Company from the Seller to the Purchaser
“Zhenlong Option Deed”	the option deed entered into between GZYY and the Company dated 4 June 2020 in relation to the Zhenlong Project
“Zhenlong Target Company”	廣州市品輝房地產開發有限公司 (Guangzhou City Pinhui Property Development Company Limited*), a company established in the PRC with limited liability, which is owned as to 51%, 29% and 20% by the Zhenlong Target Holding Company, Guangzhou Metro and Science City respectively as at Latest Practicable Date
“Zhenlong Target Group”	collectively, Zhenlong Target Holding Company and Zhenlong Target Company
“Zhenlong Target Holdco Equity Interests”	the entire equity interests in Zhenlong Target Holding Company which in turn holds 51% equity interests in Zhenlong Target Company
“Zhenlong Target Holding Company”	廣州泉龍實業發展有限公司 (Guangzhou Quanlong Industrial Development Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of GZYY as at Latest Practicable Date, which in turn owns 51% of equity interest in the Zhenlong Target Company
“Zhenlong Transaction Documents”	collectively, the Zhenlong Equity Transfer Agreement, the Zhenlong Loan Assignment Agreement and the Zhenlong Loan Repayment Agreement

* For identification purposes only

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Executive Directors

Mr. Lin Zhaoyuan (Chairman)

Mr. Lin Feng

Mr. Li Feng

Ms. Chen Jing

Ms. Liu Yan

Registered Office

26th Floor

Yue Xiu Building

160 Lockhart Road

Wanchai, Hong Kong

Non-Executive Director

Mr. Ouyang Changcheng

Independent Non-executive Directors

Mr. Yu Lup Fat Joseph

Mr. Lee Ka Lun

Mr. Lau Hon Chuen Ambrose

23 September 2020

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement. On 1 September 2020, the Group entered into the Acquisitions upon and subject to the respective terms and conditions of the Transaction Documents.

The purposes of this circular are to provide you with, among other things, (i) further information on the Acquisitions; (ii) a letter of recommendations from the Independent Board Committee in relation to the Acquisitions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Acquisitions; (iv) financial information of the Group and the Target Group; (v) valuation reports in respect of each of the Target Holding Companies and the New Metro Property Projects that will be developed, respectively; and (vi) a notice of the GM.

LETTER FROM THE BOARD

THE ACQUISITIONS

The Company is pleased to announce that, on 1 September 2020, it has exercised the two YXP Options and it has nominated the Purchaser to acquire the Target Holdco Equity Interests, and GCCD to acquire the Target Holdco Loan Rights. Completion of the Acquisitions will be conditional upon (among others) the obtaining of Independent Shareholders' approval.

Completion of the GZYX 51% Acquisition on 5 June 2020 and further loans made by GZYX

As disclosed in the Option Announcement, on 4 June 2020, GZYX and its wholly-owned subsidiaries entered into, among others, equity transfer agreements with Guangzhou Metro and Science City, pursuant to which GZYX shall, through its wholly-owned subsidiaries, acquire a 51% equity interest (together with a pro-rata share of the then outstanding shareholders' loans including accrued interest) in each of the Target Companies from Guangzhou Metro (collectively the "**GZYX 51% Acquisition**") and completion of the GZYX 51% Acquisition took place on 5 June 2020.

The total amounts paid by GZYX in relation to the GZYX 51% Acquisition were approximately RMB1.67 billion (in respect of the Shuixi Target Company) and RMB1.83 billion (in respect of the Zhenlong Target Company). After completion of the GZYX 51% Acquisition, further loans in the aggregate principal amounts of RMB0.375 billion and RMB1.09 billion respectively were extended by GZYX to the Shuixi Target Holding Company and the Zhenlong Target Holding Company which on-lent such amounts to the Shuixi Target Company and the Zhenlong Target Company, respectively, as pro-rata shareholder's loans.

In addition to the above pro-rata shareholder's loans extended by the Target Holding Companies to the Target Companies, GZYX has extended Target Special Loans in the principal amounts of RMB37.3 million and RMB82.7 million respectively to the Shuixi Target Company and the Zhenlong Target Company to satisfy their respective operating funding needs. It is expected that, following the Target Special Loans Swap, the principal amounts of such Target Special Loans will become owing by the Target Companies to the Target Holding Companies (which will in turn be owing loans in equivalent amounts to GZYX). It is further expected that before the completion of the Acquisitions, GZYX will, through the Target Holding Companies, extend further Target Special Loans in the principal amounts of RMB20.0 million and RMB40.0 million respectively to the Shuixi Target Company and the Zhenlong Target Company (the "**Further Target Special Loans**"). All Target Special Loans are repayable by the Target Companies from their Surplus Funds before there should be any repayment of the pro-rata shareholders' loans advanced to the Target Companies.

LETTER FROM THE BOARD

Subject matter and consideration of the Acquisitions

The Purchaser and GCCD have entered into the Transaction Documents with, among others, the Seller, a wholly-owned subsidiary of GZYX, and GZYX on 1 September 2020 pursuant to which the Purchaser has conditionally agreed to acquire the Target Holdco Equity Interests and GCCD has conditionally agreed to acquire the Target Holdco Loan Rights comprising:

Target Holdco Equity Interests

- (1) the entire equity interest in each of the Target Holding Companies (which hold the respective 51% equity interests in the Target Companies) for a total consideration of approximately RMB68.37 million (the “**Target Holdco Equity Considerations**”) (comprising, (a) approximately RMB33.15 million (the “**Shuixi Target Holdco Equity Consideration**”), being the Appraised Value of the net assets of the Shuixi Target Holding Company; and (b) approximately RMB35.22 million (the “**Zhenlong Target Holdco Equity Consideration**”), being the Appraised Value of the net assets of the Zhenlong Target Holding Company);

Target Holdco Loan Rights

- (2) interests in the loans owing by the Target Holding Companies to GZYX upon completion of the Acquisitions, expected to be in aggregate principal amount of approximately RMB5.15 billion (plus accrued interest), comprising:
 - (i) approximately RMB1.67 billion owing by the Shuixi Target Holding Company to GZYX (the “**Shuixi Target Holdco Loan**”) and approximately RMB1.83 billion owing by the Zhenlong Target Holding Company to GZYX (the “**Zhenlong Target Holdco Loan**”), each bears interest at 6.5% per annum from and including the respective dates when such Target Holdco Loans (as defined below) were made to the relevant Target Holding Company or acquired by GZYX, which will be assigned to GCCD on a dollar-for-dollar basis upon completion of the Acquisitions;
 - (ii) approximately RMB0.375 billion owing by the Shuixi Target Holding Company to GZYX (the “**Further Shuixi Target Holdco Loan**”) and approximately RMB1.09 billion owing by the Zhenlong Target Holding Company to GZYX (the “**Further Zhenlong Target Holdco Loan**”), each bears interest at 6.5% per annum from and including the respective dates of such Target Holdco Loans (as defined below) were made to the relevant Target Holding Company by GZYX, which will be refinanced by GCCD upon completion of the Acquisitions; and

LETTER FROM THE BOARD

(iii) approximately RMB57.3 million owing (or expected to be owing) by the Shuixi Target Holding Company to GZYX (the “**Shuixi Target Holdco Special Loan**”) and approximately RMB122.7 million owing (or expected to be owing) by the Zhenlong Target Holding Company to GZYX (the “**Zhenlong Target Holdco Special Loan**”), corresponding to the then outstanding Target Special Loans (including the Further Target Special Loans expected to be made) and each bears interest at 6.5% per annum from and including the respective dates of such Target Holdco Loans (as defined below) were made to the relevant Target Holding Company by GZYX, which will be refinanced by GCCD upon completion of the Acquisitions (the loans described in this paragraph (2) shall be collectively referred to as the “**Target Holdco Loans**”, and the equivalent amount of the Target Holdco Loans inclusive of accrued interest to be paid by GCCD shall be collectively referred to as the “**Target Holdco Loan Considerations**”),

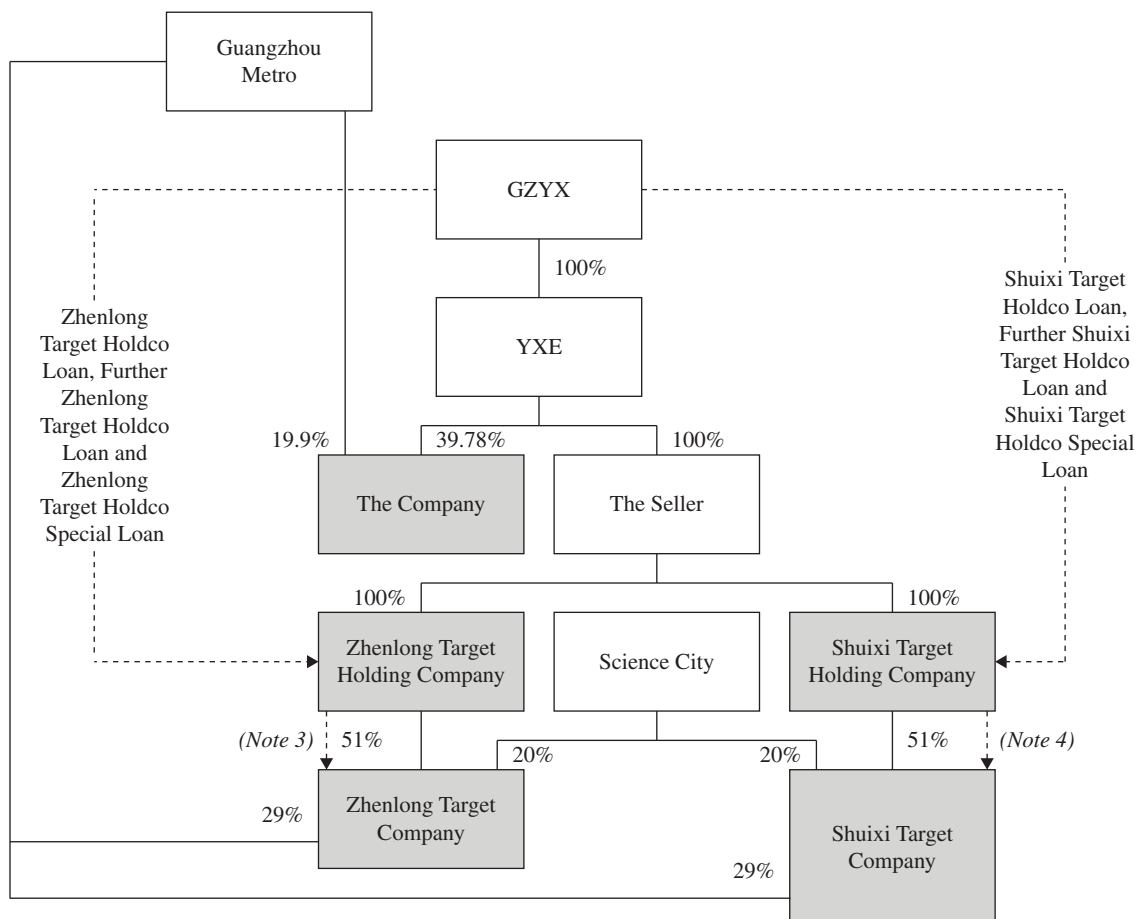
(the above are collectively referred to as the “**Acquisitions**”).

For illustrative purpose, assuming the completion of the Acquisitions takes place on 30 October 2020 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser and GCCD for the Acquisitions are expected to be approximately RMB5.33 billion (comprising approximately RMB2.19 billion for the Shuixi Acquisition and approximately RMB3.14 billion for the Zhenlong Acquisition, respectively).

LETTER FROM THE BOARD

Corporate structure before and immediately after the completion of the Acquisitions

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

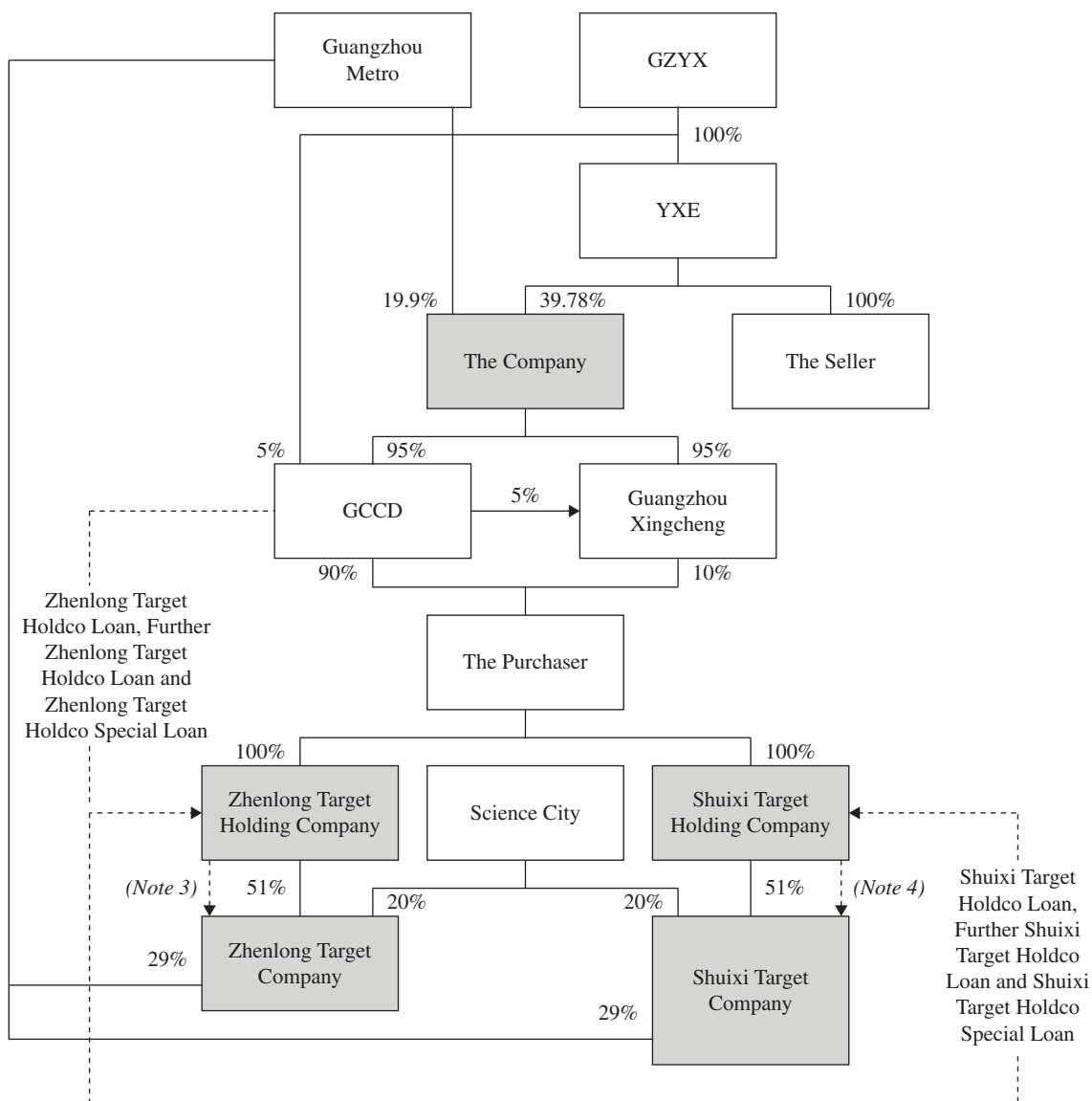


Notes:

1. ——— indicates shareholding/holding of equity interest (direct/indirect).
2. - - - - -> indicates debt provided by one party to another.
3. Debts provided by Zhenlong Target Holding Company to Zhenlong Target Company comprise pro-rata shareholder's loans and Target Special Loans.
4. Debts provided by Shuixi Target Holding Company to Shuixi Target Company comprise pro-rata shareholder's loans and Target Special Loans.

LETTER FROM THE BOARD

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



Notes:

1. — or —> indicates shareholding/holding of equity interest (direct/indirect).
2. -----> indicates debt provided by one party to another.
3. Debts provided by Zhenlong Target Holding Company to Zhenlong Target Company comprise pro-rata shareholder's loans and Target Special Loans.
4. Debts provided by Shuixi Target Holding Company to Shuixi Target Company comprise pro-rata shareholder's loans and Target Special Loans.

LETTER FROM THE BOARD

BASIS OF DETERMINATION OF CONSIDERATION FOR THE SHUIXI ACQUISITION AND THE ZHENLONG ACQUISITION

As at 30 June 2020, the Appraised Values of the Shuixi Project and the Zhenlong Project, as determined by the Independent Valuer using the comparison approach (by making reference to comparable sales transactions as available in the market), were approximately RMB4.14 billion and RMB5.83 billion respectively (each a “**Project Valuation**”), translating into approximately RMB18,445 and RMB11,431 per sq.m., respectively, in terms of plot ratio accountable GFA on which residential buildings and ancillary public facilities can be developed (which is 224,455 sq.m. in respect of the Shuixi Project and 508,568 sq.m. in respect of the Zhenlong Project).

The consideration for the entire equity interests in the Target Holding Companies (which in turn hold the respective 51% equity interests in the Target Companies) to be acquired by the Purchaser was determined based on the respective Appraised Values of the net assets of the Target Holding Companies as at 30 June 2020, being approximately RMB33.15 million and RMB35.22 million respectively, as determined by the Independent Valuer.

As the sole asset held by each Target Holding Company (other than cash and cash equivalents and amounts due from the relevant Target Company) is its 51% equity interest in the relevant Target Company, the Independent Valuer determined the Appraised Value of the net assets of each Target Holding Company as at 30 June 2020 by (among other things) valuing its interest in the relevant Target Company at 51% of the Appraised Value of the net assets of the relevant Target Company as at 30 June 2020 and taking into account the liabilities of the Target Holding Company as at 30 June 2020 (which mainly comprised of shareholder’s loans advanced by GZYX together with interest accrued up to 30 June 2020). In determining the Appraised Value of the net assets of each Target Company as at 30 June 2020, the Independent Valuer took into account (among other things) (a) the relevant Project Valuation and the deferred tax liabilities associated with the potential fair value gain of the relevant New Metro Property Project; and (b) the liabilities of the relevant Target Company as at 30 June 2020 (which mainly comprised of loans advanced by the relevant Target Holding Company, Guangzhou Metro and Science City together with interest accrued up to 30 June 2020 and trade payables).

For illustrative purpose, assuming the completion of the Acquisitions takes place on 30 October 2020 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser and GCCD for the Acquisitions are expected to be approximately RMB5.33 billion (comprising approximately RMB2.19 billion for the Shuixi Acquisition and approximately RMB3.14 billion for the Zhenlong Acquisition, respectively).

LETTER FROM THE BOARD

As disclosed in the Option Announcement, pursuant to the YXP Option Deeds, the exercise price of each of the YXP Options shall be the higher of: (1) GZYY's cost of acquisition (inclusive of any further funding provided by GZYY to the relevant Target Company) plus interest accrued in each case and other incidental costs (the "**Total Contribution Approach**"); and (2) the value of the interests to be transferred as determined based on the valuation report prepared by an independent professional valuer to be agreed by GZYY and the Company (the "**Appraised Value Approach**"). For the current exercise of the YXP Options, the Appraised Value Approach should prevail because it is expected that the Total Acquisition Amount (as determined and illustrated above assuming completion of the Acquisitions takes place on 30 October 2020) would be approximately equal to or marginally higher than an exercise price determined based on the Total Contribution Approach.

THE TRANSACTION DOCUMENTS

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

1. The Shuixi Acquisition

- (i) *The Shuixi Equity Transfer Agreement dated 1 September 2020 ("Shuixi Equity Transfer Agreement")*

Parties: The Seller (a wholly-owned subsidiary of GZYY) (as seller), the Purchaser (a company which is an indirect non-wholly-owned subsidiary of the Company) (as purchaser) and GZYY.

- (ii) *The Shuixi Loan Assignment Agreement dated 1 September 2020 ("Shuixi Loan Assignment Agreement")*

Parties: GZYY (as assignor), GCCD (as assignee) and the Shuixi Target Holding Company (as debtor).

- (iii) *The Shuixi Loan Repayment Agreement dated 1 September 2020 ("Shuixi Loan Repayment Agreement")*

Parties: GZYY, GCCD, Shuixi Target Holding Company and the Shuixi Target Company.

LETTER FROM THE BOARD

2. The Zhenlong Acquisition

- (i) *The Zhenlong Equity Transfer Agreement dated 1 September 2020 (“Zhenlong Equity Transfer Agreement”, together with Shuixi Equity Transfer Agreement, the “Equity Transfer Agreements”, and “Equity Transfer Agreement” shall mean either one of them)*

Parties: The Seller (a wholly-owned subsidiary of GZYX) (as seller), the Purchaser (a company which is an indirect non-wholly-owned subsidiary of the Company) (as purchaser) and GZYX.

- (ii) *The Zhenlong Loan Assignment Agreement dated 1 September 2020 (“Zhenlong Loan Assignment Agreement”)*

Parties: GZYX (as assignor), GCCD (as assignee) and the Zhenlong Target Holding Company (as debtor).

- (iii) *The Zhenlong Loan Repayment Agreement dated 1 September 2020 (“Zhenlong Loan Repayment Agreement”)*

Parties: GZYX, GCCD, Zhenlong Target Holding Company and the Zhenlong Target Company.

Conditions

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

- (a) the Independent Shareholders having passed all necessary resolutions at the GM to approve the relevant Transaction Documents and the transactions contemplated thereunder; and
- (b) the consent(s) and/or waiver(s) of the relevant regulatory authorities which are necessary in connection with the execution, delivery and performance of the relevant Transaction Documents and the transactions contemplated thereunder having been obtained (and such approval(s) not being subsequently revoked prior to completion of the Acquisitions).

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

LETTER FROM THE BOARD

Consideration, payment terms and completion

Subject to the Transaction Documents having become effective:

- (a) each of the Shuixi Target Holdco Equity Consideration of approximately RMB33.15 million and the Zhenlong Target Holdco Equity Consideration of approximately RMB35.22 million shall be payable in cash in full by the Purchaser to the Seller within five business days of the Transaction Effective Date, and completion of each Equity Transfer Agreement shall take place on the date on which such relevant transfer is registered at the relevant administration for industry and commerce (collectively, the “**Equity Transfer Registrations**”);
- (b) within ten business days of the date of completion of the relevant Equity Transfer Agreement:
 - (i) GZYY shall assign to GCCD all of its rights and interests in the Shuixi Target Holdco Loan (in respect of the Shuixi Acquisition), and/or the Zhenlong Target Holdco Loan (in respect of the Zhenlong Acquisition), as the case may be (together with accrued interest, if applicable) and GCCD shall pay an equivalent amount to GZYY;
 - (ii) GCCD shall provide a loan to each of the Shuixi Target Holding Company and/or the Zhenlong Target Holding Company (as the case may be) to enable it to repay the Further Shuixi Target Holdco Loan and the Further Zhenlong Target Holdco Loan, respectively, in full; and
- (c) after the completion of the relevant Equity Transfer Agreement and subject to the completion of the Target Special Loans Swap, within ten business days of the issue of a written notice from the Shuixi Target Holding Company and/or the Zhenlong Target Holding Company (as the case may be) to GCCD, GCCD shall provide a loan to each of the Shuixi Target Holding Company and/or the Zhenlong Target Holding Company (as the case may be) to enable it to repay the Shuixi Target Holdco Special Loan and the Zhenlong Target Holdco Special Loan, respectively, in full.

Indemnity

Each party to the Shuixi Transaction Documents and the Zhenlong Transaction Documents (as the case may be) agrees to indemnify each of the other parties to the relevant Transaction Document against all losses suffered by the non-defaulting parties as a result of or in connection with any breach of the respective obligations of the defaulting parties.

LETTER FROM THE BOARD

Termination

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

- (a) agreement in writing between the parties to the agreement; or
- (b) termination pursuant to any applicable laws, rules and regulations or pursuant to other terms of the agreement.

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

MANAGEMENT OF THE TARGET COMPANIES

As a result of the completion of the Acquisitions, (a) the Target Holding Companies will become non-wholly-owned subsidiaries of the Company, which the Target Holding Companies in turn hold 51% equity interests in the relevant Target Company; and (b) the financial results of the Target Holding Companies and the Target Companies will be consolidated into those of the Company.

Pursuant to the cooperative development agreement dated 4 June 2020 in relation to the establishment of the Shuixi Target Company (the “**Shuixi Cooperative Development Agreement**”), Guangzhou Metro, GZYX, the Shuixi Target Holding Company and Science City agreed to cooperate to jointly develop the Shuixi Project through the Shuixi Target Company. Pursuant to the cooperative development agreement dated 4 June 2020 in relation to the establishment of the Zhenlong Target Company (the “**Zhenlong Cooperative Development Agreement**”), Guangzhou Metro, GZYX, the Zhenlong Target Holding Company and Science City agreed to cooperate to jointly develop the Zhenlong Project through the Zhenlong Target Company.

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

LETTER FROM THE BOARD

Board composition and reserved matters

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

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

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

Further funding

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

Following the Target Special Loans Swap, the Target Holding Companies will assume the funding obligations to provide further Target Special Loans to the Target Companies under the Target Special Loans Agreements. Such funding obligations on the part of the Target Holding Companies will survive completion of the Acquisitions (whereupon the Target Holding Companies will become a subsidiary of the Company). If the Target Companies have any operating funding needs that cannot be satisfied by external financing, the Target Companies will request for further Target Special Loans. Based on the Company's assessment after taking into account the cash flow projections of the Target Companies, any further Target Special Loans required by the Target Companies after completion of the Acquisitions should, in total, fall within the region of RMB120.0 million in principal amount (or RMB300.0 million in principal amount if the Target Special Loans outstanding as at completion of the Acquisitions in the aggregate principal amount of RMB180.0 million are to be taken into account). All Target Special Loans are repayable by the Target Companies from their Surplus Funds before there should be any repayment of the pro-rata shareholders' loans advanced to the Target Companies.

LETTER FROM THE BOARD

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

Profit distribution arrangements

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

Right of first refusal

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

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

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

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITIONS

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2020, the net assets of the Enlarged Group would increase from approximately RMB57.93 billion to approximately RMB59.12 billion. At the same time, based on the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2020, the total amount of cash and cash equivalents and charged bank deposits would be maintained at a reasonable level of approximately RMB26.60 billion, representing approximately 11.01% of the total assets of the Enlarged Group. The net assets, cash and cash equivalents and charged bank deposit figures of the Enlarged Group which are referred to in this paragraph were extracted from the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2020, which was prepared based on (among other things) a Total Acquisition Amount of approximately RMB3.59 billion which does not account for the loans incurred by the Target Group after 30 June 2020 and any interest accrued from 1 July 2020 to 30 October 2020 (being the date by which the Company targets to complete the Acquisitions). The cash consideration for the total amount of the loans incurred by the Target Group after 30 June 2020 and the interest accrued from 1 July 2020 to 30 October 2020 is expected to amount to approximately RMB1.74 billion. As the actual amount of the cash consideration and the identifiable assets and liabilities of the Shuixi Acquisition and the Zhenlong Acquisition at the date of completion will be different from the corresponding amounts presented in the Unaudited Pro Forma Financial Information of the Enlarged Group as at 30 June 2020, the abovementioned figures as at the date of completion of the Acquisitions will also be different from the corresponding amounts presented in the Unaudited Pro Forma Financial Information of the Enlarged Group as of 30 June 2020.

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

Pursuant to the amendments to Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination" ("**HKFRS 3**") "Definition of Business" which has become effective on 1 January 2020, the Acquisitions are accounted for as asset acquisitions. Upon completion of the Acquisitions, the values of the identifiable assets acquired and liabilities assumed of the Shuixi Target Group and the Zhenlong Target Group would be deemed to be the consideration paid for the Acquisitions as at the date of completion of the Acquisitions. Therefore the Acquisitions would not give rise to any goodwill.

As a result of completion of the Acquisitions: (a) the Shuixi Target Holding Company will become a non-wholly-owned subsidiary of the Company, the Shuixi Target Company will become owned as to 51%, 29% and 20% indirectly by the Company, directly by Guangzhou Metro and directly by Science City, respectively; (b) the Zhenlong Target Holding Company will become a non-wholly-owned subsidiary of the Company, the Zhenlong Target Company will become owned as to 51%, 29% and 20% indirectly by the Company, directly by Guangzhou Metro and directly by Science City, respectively; and (c) the financial results of the Shuixi Target Group and the Zhenlong Target Group will be consolidated into those of the Company.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE TARGET HOLDING COMPANIES AND THE TARGET COMPANIES

The Shuixi Target Holding Company

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

	From 20 January 2020 (date of incorporation of the Shuixi Target Holding Company) to 30 June 2020 RMB'000
Revenue	–
Loss before taxation	(1,085)
Loss after taxation	(1,087)

The audited consolidated total assets and the audited consolidated net asset value of the Shuixi Target Holding Company as at 30 June 2020 were RMB4.02 billion and RMB0.52 billion, respectively.

The Zhenlong Target Holding Company

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

	From 17 January 2020 (date of incorporation of the Zhenlong Target Holding Company) to 30 June 2020 RMB'000
Revenue	–
Loss before taxation	(1,398)
Loss after taxation	(1,334)

The audited consolidated total assets and the audited consolidated net asset value of the Zhenlong Target Holding Company as at 30 June 2020 were RMB5.70 billion and RMB0.67 billion, respectively.

LETTER FROM THE BOARD

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

The Company

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

The Shuixi Target Holding Company

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

The Shuixi Target Company

The Shuixi Target Company is principally engaged in property development and management and property agency services. It is the sole registered owner of the Shuixi Project.

The Zhenlong Target Holding Company

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

The Zhenlong Target Company

The Zhenlong Target Company is principally engaged in property development and management and property agency services. It is the sole registered owner of the Zhenlong Project.

The Seller

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

The Purchaser

The Purchaser is an investment holding company which is a subsidiary of GCCD (which is in turn indirectly owned as to 95% by the Company and 5% by GZYX).

LETTER FROM THE BOARD

GCCD

GCCD is an investment holding company which is indirectly owned as to 95% by the Company and 5% by GZYX.

GZYX

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

Guangzhou Metro

Guangzhou Metro is a wholly State-owned company under the Guangzhou Municipal Government of the PRC. Established in 1992, Guangzhou Metro is responsible for the financing, investment, construction, operation, property development and expansion of Guangzhou's urban rail transportation. Guangzhou Metro indirectly owns approximately 19.9% shareholding in the Company and approximately 7.21% shareholding in Chong Hing Bank Limited, a subsidiary of GZYX.

Science City

Science City is principally engaged in the provision of services in construction and infrastructure. Science City is an Independent Third Party. The ultimate beneficial owner of Science City is 廣州經濟技術開發區管理委員會 (Guangzhou Economic and Technological Development Zone Administrative Commission*).

The New Metro Property Projects

(i) The Shuixi Project

The Shuixi project (the “**Shuixi Project**”) is located on the west side of Shuixi Road, the southwest side of the intersection of Northern Second Ring Expressway and Guanghui Expressway in the Science City of Huangpu District, Guangzhou. The Shuixi Project is located above the Shuixi North Station of Phase 2 of the metro line no. 7 which is expected to be put into service in 2023. It is also near the Shuixi Station of the metro line no. 21 and the Luogang exit of the Guanghui Expressway. The Shuixi Project has a site area of 81,620 sq.m., a GFA of 338,789 sq.m. and a plot ratio accountable GFA of 224,455 sq.m. on which residential buildings and ancillary public facilities can be developed. The construction of the Shuixi Project commenced in June 2020. Pursuant to the relevant land use rights grant contract, the Shuixi Target Company will be required to construct the city roads and certain supporting public service facilities which will be transferred to the designated governmental department for nil consideration. The cost of such construction is estimated to be approximately RMB111.0 million.

LETTER FROM THE BOARD

(ii) The Zhenlong Project

The Zhenlong project (the “**Zhenlong Project**”) is located on the intersection of Zhenlong Town in Huangpu District and Zhongxin town of Zengcheng District, Guangzhou. It is on the northern side of the Guangshan Expressway, adjacent to the Zhenlong Station of the metro line no. 21. The Zhenlong Project has a site area of 242,175 sq.m., a GFA of 703,377 sq.m. and a plot ratio accountable GFA of 508,568 sq.m. on which residential buildings and ancillary public facilities can be developed. The construction of the Zhenlong Project commenced in June 2020. Pursuant to the relevant land use rights grant contract, the Zhenlong Target Company will be required to construct certain supporting public service facilities which will be transferred to the designated governmental department for nil consideration. The cost of such construction is estimated to be approximately RMB220.0 million.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group believes that the acquisition of 51% equity in the two New Metro Property Projects is an important step in the implementation of the Group’s “Railway + Property”. business strategy. Thanks to the state-owned enterprise background of GZYY, the controlling shareholder of the Company, and the strategic partnership with Guangzhou Metro, the Company is able to acquire high-quality landbank along the metro lines in first-tier cities at a reasonable price. Upon completion of the Acquisitions, the Group’s high quality landbank in Guangzhou will increase by 1.05 million sq.m., and the total floor area of the TOD projects of the Group will increase to approximately 4.19 million sq.m., accounting for 17.7% of the Group’s total landbank as at 30 June 2020, and 32.9% of the Group’s landbank as at 30 June 2020 in the Greater Bay Area. In the first half of 2020, the contracted sales value of the TOD projects was approximately RMB5.05 billion, accounting for about 13.4% of the Group’s total contracted sales value during the period. The Company believes that this unique TOD development business will bring continuous growth to the Group and further strengthen the Group’s market position as a leading TOD property developer in China.

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

IMPLICATIONS UNDER LISTING RULES

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

LETTER FROM THE BOARD

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

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

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

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

As none of the Directors had a material interest in the exercise of the YXP Option Deeds (including the entering into of the Transaction Documents), no Director has abstained from voting on the relevant board resolutions of the Company.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 October 2020 to Tuesday, 13 October 2020 (both days inclusive), during which no transfer of Shares will be effected, to determine the eligibility of the Shareholders to participate in the GM. For Shareholders not already on the register of the members of the Company, in order to qualify to attend and vote at the GM, all transfer(s) of Share(s) (together with the relevant Share certificate(s)) must be lodged with the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Thursday, 8 October 2020.

LETTER FROM THE BOARD

GM AND CIRCULAR

The GM will be held at 10:30 a.m. on Tuesday, 13 October 2020 at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, to approve, among other things, passing the resolutions set out in the notice of the GM, which is set out on pages GM-1 to GM-2 of this circular.

Whether or not you are able to attend and vote at the GM in person, you are requested to complete and return the enclosed form of proxy to the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the GM or any adjourned meeting thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked. The voting in respect of the resolutions to be proposed at the GM will be conducted by way of a poll.

You can vote at the GM if you are a Shareholder on Tuesday, 13 October 2020. You will find enclosed with this circular the notice of the GM (please refer to pages GM-1 to GM-2 in this circular) and a form of proxy for use for the GM.

VOTING

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

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

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the relevant resolution to approve the Transaction Documents and the transactions contemplated thereunder for the purpose of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATIONS

You are advised to read carefully the letter from the Independent Board Committee on page 30 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 31 to 63 of this circular, consider that the terms and conditions of the Transaction Documents and the contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Transaction Documents and the transactions contemplated thereunder at the GM.

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

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

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



23 September 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF
A 51% INTEREST IN TWO NEW METRO PROPERTY PROJECTS;
(2) NOTICE OF GENERAL MEETING; AND
(3) CLOSURE OF REGISTER OF MEMBERS**

We refer to the circular of the Company dated 23 September 2020 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

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

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser. Details of the advice of the Independent Financial Adviser, together with the principal factor and reasons it has taken into consideration, as set out on pages 31 to 63 of the Circular; and (ii) the letter from the Board as set out on pages 9 to 29 of the Circular.

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

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolutions to approve the Transaction Documents and the transactions contemplated thereunder at the GM.

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

YU Lup Fat Joseph
Independent
Non-executive Director

LEE Ka Lun
Independent
Non-executive Director

LAU Hon Chuen Ambrose
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

23 September 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

Reference is made to the announcement of the Company dated 1 September 2020 in connection with the Acquisitions, details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) in the circular of the Company dated 23 September 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As disclosed in the Option Announcement, with the benefit of its strategic relationship with Guangzhou Metro and the support of GZYX, the Company secured the right to acquire a 51% interest in each of the New Metro Property Projects by entering into two YXP Option Deeds with GZYX on 4 June 2020.

On 1 September 2020, the Company has exercised the two YXP Options and has nominated the Purchaser to acquire the Target Holdco Equity Interests and GCCD to acquire the Target Holdco Loan Rights. Completion of the Acquisitions pursuant to such exercise will be conditional upon (among others) the obtaining of Independent Shareholders’ approval.

As disclosed in the Option Announcement, on 4 June 2020, GZYX and its wholly-owned subsidiaries entered into, among others, equity transfer agreements with Guangzhou Metro and Science City, pursuant to which GZYX shall, through its wholly-owned subsidiaries, acquire a 51% equity interest (together with a pro-rata share of the then outstanding shareholders’ loans including accrued interest) in each of the Target Companies from Guangzhou Metro (collectively the “**GZYX 51% Acquisition**”) and completion of the GZYX 51% Acquisition took place on 5 June 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The total amounts paid by GZYX in relation to the GZYX 51% Acquisition were approximately RMB1.67 billion (in respect of the Shuixi Target Company) and RMB1.83 billion (in respect of the Zhenlong Target Company). After completion of the GZYX 51% Acquisition, further loans in the aggregate principal amounts of RMB0.375 billion and RMB1.09 billion respectively were extended by GZYX to the Shuixi Target Holding Company and the Zhenlong Target Holding Company, respectively, as pro-rata shareholder's loans.

In addition to the above pro-rata shareholder's loans extended by the Target Holding Companies to the Target Companies, GZYX has extended Target Special Loans in the principal amounts of RMB37.3 million and RMB82.7 million respectively to the Shuixi Target Company and the Zhenlong Target Company to satisfy their operating funding needs. It is expected that, following the Special Loans Swap, the principal amounts of such Target Special Loans will become owing by the Target Companies to the Target Holding Companies (which will in turn be owing loans in equivalent amounts to GZYX). It is further expected that before the completion of the Acquisitions, GZYX will, through the Target Holding Companies, extend further Target Special Loans in the principal amounts of RMB20.0 million and RMB40.0 million respectively to the Shuixi Target Company and the Zhenlong Target Company (the "**Further Target Special Loans**"). All Target Special Loans are repayable by the Target Companies from their Surplus Funds before there should be any repayment of the pro-rata shareholders' loans advanced to the Target Companies.

The Purchaser and GCCD have entered into the Transaction Documents with, among others, the Seller, a wholly-owned subsidiary of GZYX, and GZYX on 1 September 2020 pursuant to which the Purchaser has conditionally agreed to acquire the Target Holdco Equity Interests and GCCD has conditionally agreed to acquire the Target Holdco Loan Rights comprising:

Target Holdco Equity Interests

- (1) the entire equity interest in each of the Target Holding Companies (which hold the respective 51% equity interests in the Target Companies) for a total consideration of approximately RMB68.37 million (the "**Target Holdco Equity Considerations**") (comprising, (a) approximately RMB33.15 million (the "**Shuixi Target Holdco Equity Consideration**"), being the Appraised Value of the net assets of the Shuixi Target Holding Company; and (b) approximately RMB35.22 million (the "**Zhenlong Target Holdco Equity Consideration**"), being the Appraised Value of the net assets of the Zhenlong Target Holding Company);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Target Holdco Loan Rights

- (2) interests in the loans owing by the Target Holding Companies to GZYZ upon completion of the Acquisitions, expected to be in the aggregate principal amount of approximately RMB5.15 billion (plus accrued interest), comprising:
- (i) approximately RMB1.67 billion owing by the Shuixi Target Holding Company to GZYZ (the “**Shuixi Target Holdco Loan**”) and approximately RMB1.83 billion owing by the Zhenlong Target Holding Company to GZYZ (the “**Zhenlong Target Holdco Loan**”), each bears interest at 6.5% per annum from and including the respective dates when such Target Holdco Loans (as defined below) were made to the relevant Target Holding Company or acquired by GZYZ, which will be assigned to GCCD on a dollar-for-dollar basis upon completion of the Acquisitions;
 - (ii) approximately RMB0.375 billion owing by the Shuixi Target Holding Company to GZYZ (the “**Further Shuixi Target Holdco Loan**”) and approximately RMB1.09 billion owing by the Zhenlong Target Holding Company to GZYZ (the “**Further Zhenlong Target Holdco Loan**”), each bears interest at 6.5% per annum from and including the respective dates of such Target Holdco Loans (as defined below) were made to the relevant Target Holding Company by GZYZ, and will be refinanced by GCCD upon completion of the Acquisitions; and
 - (iii) approximately RMB57.3 million owing (or expected to be owing) by the Shuixi Target Holding Company to GZYZ (the “**Shuixi Target Holdco Special Loan**”) and approximately RMB122.7 million owing (or expected to be owing) by the Zhenlong Target Holding Company to GZYZ (the “**Zhenlong Target Holdco Special Loan**”), corresponding to the then outstanding Target Special Loans (including the Further Target Special Loans expected to be made) and each bears interest at 6.5% per annum from and including the respective dates of such Target Holdco Loans (as defined below) were made to the relevant Target Holding Company by GZYZ, which will be refinanced by GCCD upon completion of the Acquisitions (the loans described in this paragraph (2) shall be collectively referred to as the “**Target Holdco Loans**”, and the equivalent amount of the Target Holdco Loans inclusive of accrued interest to be paid by GCCD shall be collectively referred to as the “**Target Holdco Loan Consideration**”),

(the above are collectively referred to as the “**Acquisitions**”).

For illustrative purpose, assuming the completion of the Acquisitions takes place on 30 October 2020 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser and GCCD for the Acquisitions are expected to be approximately RMB5.33 billion (comprising approximately RMB2.19 billion for the Shuixi Acquisition and approximately RMB3.14 billion for the Zhenlong Acquisition, respectively).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Implications under Listing Rules

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

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

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

Independent Board Committee and Independent Financial Adviser

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

Yu Ming Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions.

BASIS OF OUR OPINION

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We acted as the independent financial adviser to advise the independent board committee of the Company in respect of the connected transactions of the Company in the past two years (details of the connected transactions were set out in the circular of the Company dated 18 March 2019 and the circular of the Company dated 27 September 2019). These previous engagements had been completed after the issue of the respective announcement and circular of the Company. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we comply with Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Acquisitions to the Independent Board Committee and the Independent Shareholders.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Information of the Group

(a) Background of the Group

The Company is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123). It is principally engaged in property development and investment, focusing on property development in the Guangdong-Hong Kong-Macau Greater Bay Area, Eastern China Region, Central China Region, Northern China Region and Western China Region.

According to the 2019 annual report of the Company (“**Annual Report**”), as at 31 December 2019, the land bank of the Group was approximately 23.87 million sq.m. with a total of 74 projects in 19 cities in the PRC.

In terms of regional composition, Greater Bay Area accounted for approximately 51.7% of the total landbank, Eastern China Region accounted for approximately 15.8%, Central China Region accounted for approximately 18.9%, Northern China Region accounted for approximately 11.7%, Western China Region accounted for approximately 1.5% and other regions accounted for approximately 0.4%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A summary of the land bank of the Group as at 31 December 2019 is as follows:

Location	Land bank (GFA in sq.m.)	Properties under development (GFA in sq.m.)	Properties for future development (GFA in sq.m.)
1 Greater Bay Area	12,342,700	9,147,000	3,195,700
2 Eastern China Region	3,756,000	2,297,300	1,458,700
3 Central China Region	4,502,100	3,126,800	1,375,300
4 Northern China Region	2,802,800	1,532,800	1,270,000
5 Western China Region	363,100	363,100	–
6 Haikou Simapo Island Project	100,500	–	100,500
Total	23,867,200	16,467,000	7,400,200

For the year 2019, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB72.11 billion, representing a year-on-year increase of 24.8% and accounted for approximately 106.0% of the full year contracted sales target of RMB68.0 billion. The GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 3.49 million sq.m., representing a year-on-year increase of 26.1%. The average selling price was approximately RMB20,700 per sq.m., flat on a year-on-year basis.

(b) Financial information on the Group

A summary of financial information of the Group is extracted from the annual report of the Company for the year ended 31 December 2019 and the interim results announcement for the six months ended 30 June 2020 in Table-1 below:

Table-1: Financial highlights of the Group

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
	<i>Audited</i> RMB'000	<i>Audited</i> RMB'000	<i>Unaudited</i> RMB'000	<i>Unaudited</i> RMB'000
Revenue	26,433,444	38,339,112	21,788,127	23,713,884
Gross profit	8,392,922	13,117,387	6,546,629	6,642,521
Profit before tax	6,783,402	11,413,046	6,233,504	5,407,124
Profit after tax	3,039,493	4,730,508	2,759,118	2,297,216

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		As at
	2018	2019	30 June
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	35,183,877	49,644,580	48,369,767
Current assets	133,636,621	185,052,675	186,915,704
Current liabilities	72,629,069	106,917,634	107,602,018
Non-current liabilities	53,279,711	72,587,805	69,757,606
Net assets	42,911,718	55,191,816	57,925,847

The revenue of the Group mainly generated from property development, property investment and property management. For the year ended 31 December 2019, the revenue of the Group was approximately RMB38.3 billion, representing a year-on-year increase of 45.1%. Profit attributable to equity holders was approximately RMB3.48 billion, representing a year-on-year increase of 27.7%. Core net profit (profit attributable to equity holders excluding net fair value gain on revaluation of investment properties and the related tax effect and net foreign exchange loss recognised in consolidated statement of profit or loss) was approximately RMB3.51 billion, representing a year-on-year increase of 24.8%. The increase in revenue and profit was mainly due to that more GFA were delivered to customers in 2019.

For six months ended 30 June 2020, the revenue of the Group was approximately RMB23.71 billion, representing a period-to-period increase of 8.8%. Profit attributable to equity holders was approximately RMB1.99 billion, representing a period-to-period increase of 6.7%. Core net profit (profit attributable to equity holders excluding net fair value loss on revaluation of investment properties and the related tax effect and net foreign exchange gain recognised in consolidated statement of profit or loss) was approximately RMB1.99 billion, representing a period-to-period increase of 8.5%. The increase in revenue and profit was mainly due to that more GFA were delivered to customers for the six months ended 30 June 2020.

As at 30 June 2020, the Group's total assets amounted to approximately RMB235.3 billion, representing an increase of approximately 0.3% from approximately RMB234.7 billion as at 31 December 2019. Non-current assets of the Group, which mainly consist of investment properties, interests in joint ventures and interests in associated entities, amounted to approximately RMB48.4 billion as compared to approximately RMB49.6 billion as at 31 December 2019. The Group's current assets recorded an increase of approximately 1.0% from approximately RMB185.1 billion as at 31 December 2019 to approximately RMB186.9 billion as at 30 June 2020. The Group had a cash and cash equivalents of approximately RMB21.9 billion as at 30 June 2020, representing a decrease of approximately 9.1% from RMB24.1 billion as at 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total liabilities of the Group decreased by approximately 1.2% from approximately RMB179.5 billion as at 31 December 2019 to approximately RMB177.4 billion as at 30 June 2020.

As at 30 June 2020, the total equity attributable to owners of the Company amounted to approximately RMB41.8 billion, which represented an increase of approximately 2.7% from approximately RMB40.7 billion as at 31 December 2019.

(c) *Business outlook of the Group*

Looking forward to the second half of the year, the global economy will remain weak amidst recessions as the COVID-19 pandemic has not yet been effectively controlled throughout the world. Sino-US relations will still be tested by uncertainties will continue. UK's hard Brexit and geopolitical problems will pose enormous potential risks to the global economy's growth. Meanwhile, in response to the COVID-19 pandemic spreading across the world and the subsequent global economic recession, countries around the world have adopted quantitative easing policies. It is estimated that the global economy needs longer time to recover. Although China's economy has improved significantly in the second quarter, some indicators are still on the decline period-to-period. At the same time, overt upsurging challenges in the external environment, impact of the pandemic and world economic recession will also pose material and adverse effects to the domestic economy; as a result, the recovery in the domestic economy will face with pressure. In 2020, stabilising economic growth will remain to be the main goal of economic work. The Chinese government is expected to continue to intensify its efforts to stabilise macroeconomic growth, implement a proactive fiscal policy and a moderate easing monetary policy to speed up reform and opening up, and strengthen the "six stabilities" measures.

In the second half of the year, the government's regulatory policies will stabilise by consistently focusing on positioning "housing for living instead of speculation", along with region-specific regulatory policies that will not use the real estate industry as short-term economic stimulus. The government will continue to refine long-term property mechanisms to ensure stable and healthy development in the property market with measures on stabilising land prices, housing prices and expectation. Local governments will adjust property policies in consideration of housing price performance and local economic situation.

It is anticipated that when the pandemic is effectively under control, the housing demand that accumulated during the pandemic is expected to be further released. Consumers would like to pursue a healthy and safe living environment and life services. Besides that, new development opportunities will also come to property developers by meeting increased requirements of home buyers for product competitiveness, service standards, and refined levels of operation. In the second half of the year, the property market will continue to rebound, and market performance will still be clearly differentiated; therefore, the overall market trend of "guaranteed volume and price

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

controls” is developing. The overall market in tier-1 and tier-2 cities, the Greater Bay Area, and the Yangtze River Delta present sound trend due to strong demand for housing and greater room for favorable policies; however, tier-3 and tier-4 cities are under significant downward pressure. Both rigid and improved demand will still dominate the overall market. The government will implement categorized control measures based on land markets in different cities to enhance land supply and stabilise prices. Financing will remain moderate in general, while, the government will still strengthen capital supervision for property developers, which will result in a tightened domestic financing environment for property developers.

Achieving Various Annual Operation Targets

In the second half of the year, the Group will adhere to the theme of “improving efficiency by optimising structure and driving development by operation” and grasp any recovery opportunities in the market to achieve the annual sales and various operating goals it has set. In terms of sales, the Group will seek to achieve full year sales targets and cash collection rate by seizing any favorable opportunity resulting from market rebound and formulating sales strategies based on the “one city, one policy”, ensuring supplies, sales, and cash collections, as well as speeding up sales of TOD projects. In terms of operations, the Group will accelerate project development and asset turnover to ensure that projects are delivered and completed as scheduled and help improve profitability.

Acquisition of High-Quality Land Resources by Diversified Models

The Group will continue to reinforce distinctive and diversified land acquisition platforms and continue to increase premium landbank, laying a foundation for stable development. The Group will increase its strategic cooperation with Guangzhou Metro Group and improve the “Railway+Property” unique land acquisition model, looking to continually increase premium TOD landbank. As a state-owned enterprise, the Group will increase cooperation with state-owned enterprises to acquire quality landbank. The Group will actively acquire new urban renewal projects for “old villages, old cities, and old factories” by accelerating the renewal and reconstruction of Lirendong Village, Guangzhou and Dongliu Village, Nansha as planned. The Group will comprehensively promote new models in land acquisition and government project and build a “Residential + Government Projects” model for increasing landbank, making it the primary model for the Group to increase its landbank. The Group will introduce internal industrial resources and external industrial resources to bolster land acquisitions. The Group will support more research into market acquisition opportunities as a convincing supplement for the Group to increase premium landbank. In terms of open land market competition, the Group will optimise its structures, increase standards and fine layouts, and focus on acquiring projects with fast turnover rate and on the basis of fully studying market and industry cycles to implement prudent investment. For investment region layouts, the excellent “1+4” national regional layout will enable the Group to focus on investing in the Greater Bay Area, and allocate reasonable investment resources in other regions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Steady Enhancements in Commercial Property Operations

Adhering to the crucial development strategy of “equal focus on residential property development and commercial property operation”, the Group will emphasise improving both the capacity and efficiency in commercial property operations. First, by researching cities, industries, markets, and customers, the Group will optimise project positioning and customer structures. The Group will continue to enhance its operational efficiency and commercial property values by increasing its operational capabilities throughout its commercial properties. Next, the Group will proactively promote an asset management model and asset-light management model for commercial properties, while it actively promotes implementing and developing the “Joy Time (悦匯時光)” community commercial brand.

Ensuring Financial Prudence and Security

Due to liquidity risks resulting from external economic fluctuations and uncertainties in the market environment, the Group will strengthen its overall capital management to increase efficiency in capital utilisation. The Group will focus on accelerating sales and cash collections to increase the collection rate. Moreover, the Group will fully utilise diversified financing channels at home and abroad to reduce financing costs. Meanwhile, the Group will optimise its debt structure and rationally curb interest-bearing debt. The Group will effectively control exchange rate fluctuation risks and reduce foreign exchange exposure. To identify and prevent risk, the Group will optimize its financial risk monitoring system. The Group will continue to maintain its investment-grade credit ratings of Moody’s and Fitch.

Continuously Improve in Operational Control Capability

The Group will comprehensively implement the 3.5-level control system to optimise operations and controls to refine its operating conference system and succeed in constructing and implementing an operating control system.

The Group will strengthen its refined management level in operations, adeptly manage project operations and improve operational efficiency. The Group will accelerate progress in projects, while ensuring timely supply and project deliveries. The Group will comprehensively carry out the advanced engineering management system to effectively improve project management control standards. Moreover, the Group will enhance the project cost control, establish the cost and expenditure standard system and assessment system, optimise and upgrade operating cost methods, optimise dynamic cost control, thereby achieving accurate cost allocations. The Group will also continue to optimise bidding and procurement management and establish a full-cycle risk management and control system for suppliers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group focuses on customer needs and establish a customer relations center. For a better property owner's life cycle experience, the Group comprehensively manages its relationships with clients, provides quality products and services, and continues to improve customer satisfaction.

Promoting Quality Development of New Business Segments

The Group will proactively promote sound development of new business segments. With respect to the healthcare business, the Group will re-position its elderly-care business as part of its healthcare business. The Group also will use its elderly-care operations as the base to integrate upstream and downstream resources, accelerate the integration of medical care and elderly care, thereby achieving stable growth in the healthcare business. The Group will optimise its own standardised operating system for the elderly-care business and work to improve operational efficiency while steadily expanding into new projects concurrently. With respect to long-term leasing business, the Group will accelerate its apartment leasing business through multi-platforms, multi-channels and multi-dimensions, particularly focusing on advancing the asset-light strategy for long-term rental apartments. In addition to development of its "Properties+" business, the Group will combine premium educational resources in the Greater Bay Area to support business development in "+Education" to steadily promote other innovative businesses, such as "+Industries" and "+Towns".

II. The Acquisitions

On 1 September 2020, the Purchaser and GCCD have entered into the Transaction Documents with, among others, the Seller and GZYX, pursuant to which, the Purchaser has conditionally agreed to acquire the Target Holdco Equity Interests and GCCD has conditionally agreed to acquire the Target Holdco Loans Rights. Background and details of the Acquisitions are set out in the section headed "The Transaction Documents" in the Letter included in the Circular.

Basis of determination of consideration for the Shuixi Acquisition and the Zhenlong Acquisition

As at 30 June 2020, the Appraised Values of the Shuixi Project and the Zhenlong Project, as determined by the Independent Valuer using the comparison approach (by making reference to comparable sales transactions as available in the market), were approximately RMB4.14 billion and RMB5.83 billion respectively (each a "**Project Valuation**"), translating into approximately RMB18,445 and RMB11,431 per sq.m., respectively, in terms of plot ratio accountable GFA on which residential buildings and ancillary public facilities can be developed (which is 224,455 sq.m. in respect of the Shuixi Project and 508,568 sq.m. in respect of the Zhenlong Project).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consideration for the entire equity interests in the Target Holding Companies (which in turn hold the respective 51% equity interests in the Target Companies) to be acquired by the Purchaser was determined based on the respective Appraised Values of the net assets of the Target Holding Companies as at 30 June 2020, being approximately RMB33.15 million and RMB35.22 million respectively, as determined by the Independent Valuer.

As the sole asset held by each Target Holding Company (other than cash and cash equivalents and amounts due from the relevant Target Company) is its 51% equity interest in the relevant Target Company, the Independent Valuer determined the Appraised Value of the net assets of each Target Holding Company as at 30 June 2020 by (among other things) valuing its interest in the relevant Target Company at 51% of the Appraised Value of the net assets of the relevant Target Company as at 30 June 2020 and taking into account the liabilities of the Target Holding Company as at 30 June 2020 (which mainly comprised of shareholder's loans advanced by GZYYX together with interest accrued up to 30 June 2020). In determining the Appraised Value of the net assets of each Target Company as at 30 June 2020, the Independent Valuer took into account (among other things) (a) the relevant Project Valuation and the deferred tax liabilities associated with the potential fair value gain of the relevant New Metro Property Project; and (b) the liabilities of the relevant Target Company as at 30 June 2020 (which mainly comprised of loans advanced by the relevant Target Holding Company, Guangzhou Metro and Science City together with interest accrued up to 30 June 2020 and trade payables).

For illustrative purpose, assuming the completion of the Acquisitions takes place on 30 October 2020 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisition Amounts payable by the Purchaser and GCCD for the Acquisitions are expected to be approximately RMB5.33 billion (comprising approximately RMB2.19 billion for the Shuixi Acquisition and approximately RMB3.14 billion for the Zhenlong Acquisition, respectively).

As disclosed in the Option Announcement, pursuant to the YXP Option Deeds, the exercise price of each of the YXP Options shall be the higher of: (1) GZYYX's cost of acquisition (inclusive of any further funding provided by GZYYX to the relevant Target Company) plus interest accrued in each case and other incidental costs (the "**Total Contribution Approach**"); and (2) the value of the interests to be transferred as determined based on the valuation report prepared by an independent professional valuer to be agreed by GZYYX and the Company (the "**Appraised Value Approach**"). For the current exercise of the YXP Options, the Appraised Value Approach should prevail because it is expected that the Total Acquisition Amount (as determined and illustrated above assuming completion of the Acquisitions takes place on 30 October 2020) would be approximately equal to or marginally higher than an exercise price determined based on the Total Contribution Approach.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Evaluation of the Consideration

We have reviewed the valuation reports (the “**Valuation Reports**”) prepared by the Independent Valuer on the Shuixi Target Holding Company, the Zhenlong Target Holding Company and the New Metro Property Projects as at 30 June 2020 (the “**Valuation Date**”) as set out in Appendices VA, VB and VC to the Circular and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the valuation (the “**Valuation**”) of the Shuixi Target Holding Company, the Zhenlong Target Holding Company and the New Metro Property Projects.

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

It is noted that the valuation of the NAV of the Target Holding Companies was prepared based on the management accounts of the Target Companies and the audited accounts of the Target Holding Companies as at 30 June 2020 respectively. According to the management accounts of the Target Companies, apart from the New Metro Property Projects, (i) other assets of the Target Companies comprise deferred tax assets, other receivables and cash and cash equivalents; and (ii) the liabilities of the Target Companies comprise trade payable, other payables and accrued charges, amount due to shareholders and deferred tax liability. According to the audited accounts of the Target Holding Companies, apart from the interest in the Target Companies, (i) other assets of the Target Holding Companies comprise cash and cash equivalents, amount due from subsidiary and other receivables and prepayment; and (ii) the liabilities of the Target Holding Companies comprise other payables and accrued charges and amount due to shareholders. The Independent Valuer considered that save for the New Metro Property Projects, other assets and liabilities of Target Companies and Target Holding Companies are liquid items and the amounts as disclosed in their respective accounts have reflected their respective market value and separate valuation is not required.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; and (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Reports. The Independent Valuer has confirmed that it is independent to the Group and GZYX. From the engagement letter, we noted that there were no limitations on the scope of work for conducting the Valuation and the scope of work is appropriate to the opinion given. The Independent Valuer carried out a site visit and inspected the New Metro Property Projects in July 2020, and has been provided with copies of documents in relation to the title of the property interests as well as floor plan of the New Metro Property Projects. From the qualification and experience of core members in charge of the Valuation set out in the Valuation Reports, we noted that (i) Mr. Eddie T. W. Yiu, the person who led the Valuation of the New Metro Property Projects, is a Chartered Surveyor who has over 25 years' of experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region; and (ii) Simon M.K. Chan, the person who led the Valuation of the Target Holding Companies and Target Companies, is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia, an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore) who has over 20 years' of experience in valuation and corporate advisory business for listed and private companies in different industries in Mainland China and Hong Kong. Having considered the above, we consider that the scope of work of the Independent Valuer under the terms of engagement is appropriate and the Independent Valuer possesses sufficient relevant experience in performing the Valuation.

The Shuixi Project comprises a parcel of land with a site area of approximately 81,620 sq.m., which will be developed into a residential and commercial development (of which about 86% is residential and car park area). The Zhenlong Project comprises a parcel of land with a site area of approximately 242,175 sq.m., which will be developed into a residential and commercial development (of which about 90% is residential and car park area). The construction of the property projects had not been commenced as at the Valuation Date.

The Independent Valuer has identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the New Metro Property Projects. For Shuixi Project, the selected comparables are residential land in Guangzhou City which were transacted during the period from 2018 to 2020. The transaction price of those comparable land sites ranges from RMB15,673 to RMB16,688 per sq.m.. For Zhenlong Project, the selected comparables are residential land in Guangzhou City which were transacted during the period from 2019 to 2020. The transaction price of those comparable land sites ranges from RMB10,381 to RMB11,617 per sq.m. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characters between the comparable properties and the Shuixi Project and the Zhenlong Project to arrive at its assumed unit rate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the transactions identified by the Independent Valuer for the market comparison approach and noted that the Independent Valuer has selected the latest three comparable transactions for each of the New Metro Property Projects which are exhaustive as confirmed by the Independent Valuer during the period from 2018 to 2020.

A summary of comparable properties selected by the Independent Valuer is as follows:

Shuixi Project

Property	Location	Date of transaction	Usage <i>(Note)</i>	Plot ratio	Transaction price <i>(RMB per sq.m.)</i>
				accountable GFA <i>(m²)</i>	
Comparable A	Huangpu District, Guangzhou	May 2020	Residential	232,230	16,688
Comparable B	Huangpu District, Guangzhou	Nov 2019	Residential	125,986	16,516
Comparable C	Huangpu District, Guangzhou	Dec 2018	Residential	221,075	15,673

Zhenlong Project

Property	Location	Date of transaction	Usage <i>(Note)</i>	Plot ratio	Transaction price <i>(RMB per sq.m.)</i>
				accountable GFA <i>(m²)</i>	
Comparable A	Zengcheng District, Guangzhou	Jul 2020	Residential	96,330	10,381
Comparable B	Zengcheng District, Guangzhou	May 2019	Residential	229,180	11,617
Comparable C	Zengcheng District, Guangzhou	Dec 2019	Residential	378,947	11,202

Note: Although the selected comparable transactions are residential projects, small portion of GFA to be developed for retail and ancillary is permitted which is comparable to the New Metro Property Projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Appropriate adjustments and analysis are considered to the differences in several aspects including transaction time, location, usage (mixed use or residential only) and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like usage (mixed use or residential only), site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered. Although the comparable transactions are not identical to the New Metro Property Projects, given adjustment factors which are commonly adopted in the market for property valuation have been applied to derive the market price of the New Metro Property Projects, we consider that the selection of the comparable transactions is appropriate.

A market price of RMB18,445 per sq.m. and RMB11,431 per sq.m. was adopted by the Independent Valuer for valuation of the Shuixi Project and Zhenlong Project respectively, in terms of plot ratio accountable gross floor area (which is 224,455 m² in respect of the Shuixi Project and 508,568 m² in respect of the Zhenlong Project).

It is noted that the adopted market price of RMB18,445 per sq.m. for the Shuixi Project is about 11% to 18% higher than the comparable transactions. As advised by the Independent Valuer, they have mainly considered the adjustment factors of location and transaction time to derive the adopted market price for the Shuixi Project. In terms of location factor, we noted that the Shuixi Project is located above the Shuixi North Station of Phase 2 of the metro line no. 7 while the comparable transactions is about 1.5 km to 8 km from metro stations. The Shuixi Project is situated in a more developed area surrounded by schools and shopping malls and is proximate to the Huangpu District government office. In terms of timing factor, we noted that the average transaction price of residential land in Guangzhou increased by approximately 9.4% from the second quarter of 2018 to the second quarter of 2020. In light of the superior location of the Shuixi Project and the increase in average transaction price of the residential land in Guangzhou from 2018 to 2020, we consider that it is fair and reasonable to adopt a higher market price for the Shuixi Project than the transaction price of the comparable transactions.

The valuation of New Metro Property Projects is computed as follows:

Shuixi Project

	Plot ratio accountable GFA <i>(m²)</i>	Adopted market price <i>(RMB per sq.m.)</i>	Valuation <i>(RMB million)</i>
Land portion	224,455	18,445	4,140.1
Construction cost and relevant expenses incurred	NA	NA	3.3
			4,143.4
Total			4,143.4

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zhenlong Project

	Plot ratio accountable GFA (m²)	Adopted market price (RMB per sq.m.)	Valuation (RMB million)
Land portion	508,568	11,431	5,813.4
Construction cost and relevant expenses incurred	NA	NA	11.8
Total			<hr/> 5,825.2 <hr/>

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

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

Assets	Valuation Approach & Methodology
Deferred tax assets; Other receivables and prepayments; Amount due from the subsidiary; Cash and cash equivalents	Based on values in audit report of the Target Holding Company and management accounts of the Target Company.
Properties under development (Current and Non-current)	Based on the Valuation Report of the New Metro Property Projects issued by the Independent Valuer.
Long-term equity investments	Summation method is applied to valuation on net assets value of the Target Companies. Summation method is to assess the equity value of a company based on the market values of the underlying assets of the entity less the value of any related liabilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

Based on the valuation report, the appraised NAV of the Shuixi Target Company is approximately RMB1,090.3 million, which is derived as follows:

Shuixi Target Company	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	4,162,449
Deferred tax assets	9,053
Properties under development (Non-current)	4,143,400
Properties under development (Current)	82
Other receivables	9,913
Cash and cash equivalents	3,072,161
<i>Total Liabilities</i>	3,072,161
Trade payable	716,020
Other payables and accrued charges	3,351
Amount due to the direct holding company (Current)	40,222
Amount due to the direct holding company (Non-current)	1,107,435
Amounts due to a non-controlling interest (Current)	38,645
Amounts due to a non-controlling interest (Non-current)	1,064,006
Deferred tax liability	102,482
<i>Net Assets</i>	1,090,288
<i>51% of Net Assets (rounded to thousand)</i>	556,047

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the valuation report, the appraised NAV of the Zhenlong Target Company is approximately RMB1,395.5 million which is derived as follows:

Zhenlong Target Company	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	5,845,490
Deferred tax assets	10,302
Properties under development (Non-current)	5,825,200
Properties under development (Current)	
Other receivables	3
Cash and cash equivalents	9,985
<i>Total Liabilities</i>	4,449,941
Trade payable	2,075,591
Other payables and accrued charges	11,977
Amount due to the direct holding company (Current)	44,681
Amount due to the ultimate holding company (Current)	226
Amount due to the direct holding company (Non-current)	1,106,215
Amounts due to a non-controlling interest (Current)	42,929
Amounts due to a non-controlling interest (Non-current)	1,062,834
Deferred tax liability	105,486
<i>Net Assets</i>	1,395,549
<i>51% of Net Assets (rounded to thousand)</i>	711,731

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the valuation report, the appraised NAV of the Shuixi Target Holding Company is approximately RMB33.1 million which is derived as follows:

Shuixi Target Holding Company	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	1,713,716
Long-term equity investments	555,047
Cash and cash equivalents	10,012
Amount due from a subsidiary (Non-current)	1,107,435
Amount due from a subsidiary (Current)	40,222
<i>Total Liabilities</i>	1,680,571
Amount due to the ultimate holding company (Current)	7,676
Amount due to the ultimate holding company (Non-current)	1,672,501
Other payables and accrued charges	394
<i>Net Assets (rounded to thousand)</i>	33,145

Based on the valuation report, the appraised NAV of the Zhenlong Target Holding Company is approximately RMB35.2 million which is derived as follows:

Zhenlong Target Holding Company	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	1,872,639
Long-term equity investments	711,731
Cash and cash equivalents	10,012
Amount due from a subsidiary (Non-current)	1,106,215
Amount due from a subsidiary (Current)	44,681
<i>Total Liabilities</i>	1,837,419
Amount due to the ultimate holding company (Current)	8,345
Amount due to the ultimate holding company (Non-current)	1,828,642
Other payables and accrued charges	432
<i>Net Assets</i>	35,220

In view of the above, we consider that the Valuation Reports to be the appropriate source of information for the purpose of our assessment on the fairness and reasonableness of the Equity Considerations, including Shuixi Target Holdco Equity Consideration and Zhenlong Target Holdco Equity Consideration.

To further assess the fairness and reasonableness of the Equity Considerations, we had carried out, on a best effort basis, a comparable table on consideration paid by other listed issuers in property transaction using the following selection criteria: (i) acquisition of properties in Greater China by companies listed on the Stock Exchange in the past four months from 1 May 2020 to 1 September 2020 (being the date of the Announcement) (“**Property Transaction Research Period**”) which constitute a notifiable transaction;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and (ii) appraised value of the property(ies) by independent valuer as basis of determination of consideration set out in the circular. We have identified and made references to 11 comparable transactions (“**Comparable Property Transactions**”) which meet the aforesaid criteria, and these Comparable Property Transactions are exhaustive and representative. We did not expand the Property Transaction Research Period to a longer course as we consider reasonable number of samples are identified and recent transactions are more relevant for consideration as they closely reflect market conditions and dynamics of the relevant property markets. Although the locations of the subject property of the Comparable Property Transactions are not identical to that of the New Metro Property Projects, given the Comparable Property Transactions and the New Metro Property Projects are exposed to similar market conditions and dynamics in the Greater China, we consider the Comparable Property Transactions could provide a general reference for acquisition of property in Greater China by listed issuers in Hong Kong and are comparable. Brief summary of relevant information of the Comparable Property Transactions are set out below:

No.	Company (stock code)	Date of the circular	Transaction	Connected transaction (Yes/No)	Consideration (HK\$ million)	Adjusted NAV/ valuation of property (HK\$ million)	Premium/ discount of adjusted NAV/ valuation of property
1	Y. T. Realty Group Limited (75)	2020/5/15	Acquisition of residential and commercial property in Sichuan, the PRC	No	350	531	-34.05%
2	Eminence Enterprise Limited (616)	2020/5/21	Acquisition of residential and commercial property in Hong Kong	No	299	260	14.95%
3	Zensun Enterprises Limited (185)	2020/5/25	Acquisition of residential and commercial property in Henan, the PRC	Yes	2,652	2,653	-0.04%
4	Get Nice Holdings Limited (64)	2020/6/5	Acquisition of commercial property in Hong Kong	No	489	489	0.00%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company (stock code)	Date of the circular	Transaction	Connected transaction (Yes/No)	Consideration (HK\$ million)	Adjusted NAV/ valuation of property (HK\$ million)	Premium/ discount of adjusted NAV/ valuation of property
5	China Tangshan Holdings Limited (674)	2020/6/22	Acquisition of commercial property in Guangdong, the PRC	Yes	197	197	0.00%
6	Yi Da China Holdings Limited (3639)	2020/6/30	Acquisition of residential property in Liaoning, the PRC	No	3,394	3,908	-13.16%
7	Golden Faith Group Holdings Limited (2863)	2020/7/16	Acquisition of commercial property and a carparking space in Hong Kong	Yes	54	55	-1.82%
8	Minmetals Land Limited (230)	2020/7/21	Acquisition of 49% of the entire equity of a real estate company in Tianjin, the PRC	Yes	1,620	1,677	-3.37%
9	TFG International Group Limited (542)	2020/8/14	Acquisition of entire issued share capital of a target company that owns a commercial property in Guangdong, the PRC	No	109	163	-33.33%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company (stock code)	Date of the circular	Transaction	Connected transaction (Yes/No)	Consideration (HK\$ million)	Adjusted NAV/ valuation of property (HK\$ million)	Premium/ discount of adjusted NAV/ valuation of property
10	E. Bon Holdings Limited (599)	2020/8/24	Acquisition of industrial property in Hong Kong	No	69	69	0.00%
11	Boill Healthcare Holdings Limited (1246)	2020/8/25	Acquisition of entire issued share capital of a target company that owns commercial and residential property in Shanghai, the PRC	Yes	158	160	-1.56%
						Average Maximum premium	-6.58% 14.95%
						Maximum discount	-34.05%
	Shuixi Target Holdco Equity Consideration				RMB33.15 million	RMB33.15 million	0.00%
	Zhenlong Target Holdco Equity Consideration				RMB35.22 million	RMB35.22 million	0.00%

As illustrated in the table above, the consideration over appraised value of property/adjusted NAV of property project company ranged from a discount of approximately 34.05% to a premium of approximately 14.95%. It is noted that the discount represented by the Equity Considerations to the appraised NAV of Target Holding Companies respectively is within the range of discount of Comparable Property Transactions.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Interest rate of Target Holdco Loan Rights

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

	Principal amount <i>(RMB' million)</i>	Interest rate	Accrued interest (assuming completion of the Acquisitions on 30 October 2020) <i>(RMB' million)</i>	Principal + accrued interest <i>(RMB' million)</i>
Shuixi Target Holdco Loan	1,672.5	6.5%	44.5	1,717.0
Zhenlong Target Holdco Loan	1,828.6	6.5%	48.7	1,877.3
Further Shuixi Target Holdco Loan	375.1	6.5%	5.6	380.7
Further Zhenlong Target Holdco Loan	1,087.5	6.5%	16.1	1,103.6
Shuixi Target Holdco Special Loan	57.3	6.5%	0.2	57.5
Zhenlong Target Holdco Special Loan	122.7	6.5%	0.4	123.1

We are advised by the management of GZYZ that the interest rate of the Target Holdco Loan Rights of 6.5% was determined between GZYZ, Guangzhou Metro and Science City after arm's length negotiation taking into account the market interest rate and their respective borrowing cost. The management of GZYZ confirmed to us that all of the borrowing cost of GZYZ from commercial banks falls within the range from 3.26% to 6.7% from 1 January 2018 to 30 June 2020. We have selected and reviewed two loan agreements of GZYZ ("**GZYZ Loan Agreements**") entered into with commercial banks from 2018 to 2020 with the lowest and highest interest rate respectively and noted that the borrowing rate is 3.26% and 6.7% respectively as provided by the management of GZYZ. Despite (i) the GZYZ Loan Agreements are not exhaustive; and (ii) the principal amount, loan periods and nature of the reviewed loan agreements are different from those of the Target Holdco Loan Rights, the GZYZ Loan Agreements could provide a general reference for the range of borrowing cost of GZYZ from commercial banks.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Board composition and reserved matters

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

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

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

Given the Group has the right to nominate 3 out of 5 board members of each of the Shuixi Target Company and Zhenlong Target Company upon completion of the Acquisitions, we consider this board nomination arrangement is fair and reasonable.

Further Funding

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following the Target Special Loans Swap, the Target Holding Companies will assume the funding obligations to provide further Target Special Loans to the Target Companies under the Target Special Loans Agreements. Such funding obligations on the part of the Target Holding Companies will survive completion of the Acquisitions (whereupon the Target Holding Companies will become a subsidiary of the Company). If the Target Companies have any operating funding needs that cannot be satisfied by external financing, the Target Companies will request for further Target Special Loans. Based on the Company's assessment after taking into account the cash flow projections of the Target Companies, any further Target Special Loans required by the Target Companies after completion of the Acquisitions should, in total, fall within the region of RMB120.0 million in principal amount (or RMB300.0 million in principal amount if the Target Special Loans outstanding as at completion of the Acquisitions in the aggregate principal amount of RMB180.0 million are to be taken into account). All Target Special Loans are repayable by the Target Companies from their Surplus Funds before there should be any repayment of the pro-rata shareholders' loans advanced to the Target Companies.

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

We noted that the average borrowing rate of the Group is 4.71% in the first half of 2020. Although the Target Special Loans is not on pro-rata basis, given the interest rate of the Target Special Loans of 6.5% to be charged by the Group is higher than the average borrowing rate of the Group and the Target Special Loans are repayable by the Target Companies from their Surplus Capital before there should be any repayment of the pro-rata shareholders' loans advanced to the Target Companies, we consider that the provision of the Target Special Loans is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. Financial Information of the Target Holding Companies and the Target Companies

The Shuixi Target Holding Company

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

	From 20 January 2020 (being the date of incorporation of the Shuixi Target Holding Company) to 30 June 2020 RMB'000
Revenue	–
Net loss before taxation	(1,085)
Net loss after taxation	(1,087)

The audited consolidated total assets and the audited consolidated net asset value of the Shuixi Target Holding Company as at 30 June 2020 were RMB4.02 billion and RMB0.52 billion, respectively.

The Zhenlong Target Holding Company

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

	From 17 January 2020 (being the date of incorporation of the Zhenlong Target Holding Company) to 30 June 2020 RMB'000
Revenue	–
Net loss before taxation	(1,398)
Net loss after taxation	(1,334)

The audited consolidated total assets and the audited consolidated net asset value of the Zhenlong Target Holding Company as at 30 June 2020 were RMB5.70 billion and RMB0.67 billion, respectively.

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

The Company

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

The Shuixi Target Holding Company

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

The Shuixi Target Company

The Shuixi Target Company is principally engaged in property development and management. It is the sole registered owner of the Shuixi Project.

The Zhenlong Target Holding Company

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

The Zhenlong Target Company

The Zhenlong Target Company is principally engaged in property development and management and property agency services. It is the sole registered owner of the Zhenlong Project.

The Seller

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

The Purchaser

The Purchaser is an investment holding company which is a subsidiary of GCCD (which is in turn indirectly owned as to 95% by the Company and 5% by GZYX).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GCCD

GCCD is an investment holding company which is indirectly owned as to 95% by the Company and 5% by GZYX.

GZYX

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

Guangzhou Metro

Guangzhou Metro is a wholly State-owned company under the Guangzhou Municipal Government of the PRC. Established in 1992, Guangzhou Metro is responsible for the financing, investment, construction, operation, property development and expansion of Guangzhou's urban rail transportation. Guangzhou Metro indirectly owns approximately 19.9% shareholding in the Company and approximately 7.21% shareholding in Chong Hing Bank Limited, a subsidiary of GZYX.

Science City

Science City is principally engaged in the provision of services in construction and infrastructure. Science City is an Independent Third Party. The ultimate beneficial owner of Science City is 廣州經濟技術開發區管理委員會 (Guangzhou Economic and Technological Development Zone Administrative Commission).

The New Metro Property Projects

(i) The Shuixi Project

The Shuixi project (the “**Shuixi Project**”) is located on the west side of Shuixi Road, the southwest side of the intersection of Northern Second Ring Expressway and Guanghui Expressway in the Science City of Huangpu District, Guangzhou. The Shuixi Project is located above the Shuixi North Station of Phase 2 of the metro line no. 7 which is expected to be put into service in 2023. It is also near the Shuixi Station of the metro line no. 21 and the Luogang exit of the Guanghui Expressway. The Shuixi Project has a site area of 81,620 sq.m., a GFA of 338,789 sq.m. and a plot ratio accountable GFA of 224,455 sq.m. on which residential buildings and ancillary public facilities can be developed. The construction of the Shuixi Project commenced in June 2020. Pursuant to the relevant land use rights grant contract, the Shuixi Target Company will be required to construct the city roads and certain supporting public service facilities which will be transferred to the designated governmental department for nil consideration. The cost of such construction is estimated to be approximately RMB111.0 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) The Zhenlong Project

The Zhenlong project (the “**Zhenlong Project**”) is located on the intersection of Zhenlong Town in Huangpu District and Zhongxin town of Zengcheng District, Guangzhou. It is on the northern side of the Guangshan Expressway, adjacent to the Zhenlong Station of the metro line no. 21. The Zhenlong Project has a site area of 242,175 sq.m., a GFA of 703,377 sq.m. and a plot ratio accountable GFA of 508,568 sq.m. on which residential buildings and ancillary public facilities can be developed. The construction of the Zhenlong Project commenced in June 2020. Pursuant to the relevant land use rights grant contract, the Zhenlong Target Company will be required to construct certain supporting public service facilities which will be transferred to the designated governmental department for nil consideration. The cost of such construction is estimated to be approximately RMB220.0 million.

V. Reasons for and Benefits of the Acquisitions

The Group believes that the acquisition of 51% equity in the two New Metro Property Projects is an important step in the implementation of the Group’s “Railway + Property” business strategy. Thanks to the state-owned enterprise background of GZYX, the controlling shareholder of the Company, and the strategic partnership with Guangzhou Metro, the Company is able to acquire high-quality landbank along the metro lines in first-tier cities at a reasonable price. Upon completion of the Acquisitions, the Group’s high quality landbank in Guangzhou will increase by 1.05 million sq.m., and the total floor area of the TOD projects of the Group will increase to approximately 4.19 million sq.m., accounting for 17.7% of the Group’s total landbank as at 30 June 2020, and 32.9% of the Group’s landbank as at 30 June 2020 in the Greater Bay Area. In the first half of 2020, the contracted sales value of the TOD projects was approximately RMB5.05 billion, accounting for about 13.4% of the Group’s total contracted sales value during the period. The Company believes that this unique TOD development business will bring continuous growth to the Group and further strengthen the Group’s market position as a leading TOD property developer in China.

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

VI. Possible Financial Effect of the Acquisitions on the Group

As a result of the completion of the Acquisitions, (a) the Target Holding Companies will become non-wholly-owned subsidiaries of the Company, which the Target Holding Companies in turn hold 51% equity interests in the relevant Target Company; and (b) the financial results of the Target Holding Companies and the Target Companies will be consolidated into those of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

(i) Earnings

The Group recorded a net profit of approximately RMB4,730.5 million for the year ended 31 December 2019. Given the New Metro Property Projects has been under the development stage, the Company expects that the New Metro Property Projects would not have a significant impact on the earnings of the Group in the short run. The Company expects that the New Metro Property Projects would contribute positively to the Group's financial performance upon pre-sale and delivery of the properties of the New Metro Property Projects to customers.

(ii) Net assets

Net assets attributable to the owners of the Company and net assets attributable to the owners of the Company per Share as at 30 June 2020 was approximately RMB41,820.8 million and RMB2.70 per Share (based on the 15,482,280,438 Shares in issue as at the Latest Practicable Date). As disclosed in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to the Circular, assuming the Acquisitions had been completed on 30 June 2020, the net assets of the Enlarged Group as at 30 June 2020 would have been increased by approximately RMB1,198.1 million to RMB59,123.9 million. Such increase in net assets was mainly resulted from the increase in properties under development netting of the decrease in cash and cash equivalent as a result of the Acquisitions.

(iii) Gearing

As at 30 June 2020, the Group's net gearing ratio, being total interest-bearing borrowings divided by total assets, was approximately 30.4%. Based on the pro forma financial information as set out in Appendix IV to the Circular, assuming the Acquisitions had been completed on 30 June 2020, the Enlarged Group's pro forma gearing ratio would decrease to approximately 29.6% as the Target Group had no interest-bearing bank borrowings while the total assets of Enlarged Group would increase by approximately RMB6,214.5 million as a result of consolidation of the Target Group into the Group.

(iv) Liquidity

As at 30 June 2020, the net current assets of the Group were approximately RMB79,313.7 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming completion of the Acquisitions had taken place on 30 June 2020, the pro forma net current assets of the Enlarged Group would have been decreased to approximately RMB78,191.5 million mainly due to decrease in cash and cash equivalents as a result of the Acquisitions.

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

RECOMMENDATION

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

- (i) the Acquisitions is in line with the Company's business strategy of "Railway + Property" and will increase the high-quality land reserves of the Group;
- (ii) the Equity Considerations is equivalent to the appraised NAV of the Target Holding Companies, the discount of which is within the range of the Comparable Property Transactions;
- (iii) the assignment of the Target Holdco Loan Rights is on a dollar-for-dollar basis and the interest rate of 6.5% of the Target Holdco Loan Rights will be paid to cover the capital cost of GZYY for its investment in the New Metro Property Projects;
- (iv) although the Target Special Loans is not on pro-rata basis, the interest rate of the Target Special Loans of 6.5% to be charged by the Group is higher than the average borrowing rate of the Group and the Target Special Loans are repayable by the Target Companies from their Surplus Capital before there should be any repayment of the pro-rata shareholders' loans advanced to the Target Companies; and
- (v) although the pro forma net current assets would decrease assuming completion of the Acquisitions had taken place on 30 June 2020, the New Metro Property Projects are expected to contribute positively to the financial performance of the Enlarged Group in the long run,

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Yours faithfully,

For and on behalf of

YU MING INVESTMENT MANAGEMENT LIMITED

Warren Lee

Managing Director

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2017 and 2018 and 2019, the unaudited consolidated financial information of the Group for the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.yuexiuproperty.com/>):

- Annual report of the Company for the year ended 31 December 2017:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0404/ltn20180404003.pdf>
(pages 83 to 190)
- Annual report of the Company for the year ended 31 December 2018:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418666.pdf>
(pages 86 to 208)
- Annual report of the Company for the year ended 31 December 2019:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401898.pdf>
(pages 87 to 218)
- Interim results of the Company for the six months ended 30 June 2020:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0824/2020082400617.pdf>
(page 3 to 34)

Summary of financial information of the Group

The following is a summary of the financial results of the Group for the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020 as extracted from the relevant annual reports and interim results announcement of the Company:

	Financial year ended 31 December 2017 RMB'000	Financial year ended 31 December 2018 RMB'000	Financial year ended 31 December 2019 RMB'000	Six months ended 30 June 2020 RMB'000
Revenue	23,793,908	26,433,444	38,339,112	23,713,884
Profit before taxation	4,785,410	6,783,402	11,413,046	5,407,124
Profit attributable to equity holders of the Company	2,260,242	2,727,885	3,483,351	1,994,723
Profit attributable to non-controlling interest	71,404	311,608	1,247,157	302,493
Taxation	2,453,764	3,743,909	6,682,538	3,109,908
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share, basic and diluted)	0.1823	0.2200	0.2410	0.1288

The auditor of the Company for the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020 was PricewaterhouseCoopers. The audit opinions of PricewaterhouseCoopers in respect of the years ended 31 December 2017, 2018 and 2019 were not qualified and there were no modified opinions nor emphasis of matter or material uncertainty related to going concern contained in the auditor's report of PricewaterhouseCoopers in respect of the above years. The condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 has been reviewed by PricewaterhouseCoopers.

2. INDEBTEDNESS STATEMENT OF THE GROUP

Borrowings

At the close of business on 31 July 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings, bank overdraft and lease liabilities of approximately RMB71.96 billion, comprising:

- (1) secured and unguaranteed bank borrowings of approximately RMB8.81 billion;
- (2) secured and guaranteed bank borrowings of approximately RMB6.79 billion;
- (3) unsecured and guaranteed bank borrowings of approximately RMB14.56 billion;
- (4) unsecured and unguaranteed bank borrowings of approximately RMB0.62 billion;
- (5) secured and guaranteed other borrowings of approximately RMB0.93 billion;
- (6) unsecured and guaranteed other borrowings of approximately RMB37.84 billion;
- (7) unsecured and unguaranteed other borrowings and overdraft of approximately RMB1.80 billion; and
- (8) unsecured lease liabilities of approximately RMB0.61 billion.

The bank and other borrowings are secured by certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment and land use rights. Certain bank and other borrowings are guaranteed by the Company, certain subsidiaries of the Group, non-controlling interests and related parties.

Contingent Liabilities

As at 31 July 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following material contingent liabilities:

- (1) the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be liable for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group will be entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As at 31 July 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total contingent liabilities relating to these guarantees amounted to approximately RMB23.24 billion.
- (2) certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB3.74 billion in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1.53 billion was utilised and guarantee of approximately RMB2.21 billion was not utilised yet.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 31 July 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group did not have any other debt securities, any outstanding loan capital, any borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 31 July 2020 up to and including the Latest Practicable Date.

3. WORKING CAPITAL SUFFICIENCY

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

4. RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Looking forward to the second half of the year, the global economy will remain weak amidst recessions as the COVID-19 pandemic has not yet been effectively controlled throughout the world. Sino-US relations will still be tested by uncertainties. UK's hard Brexit and geopolitical problems will pose enormous potential risks to the global economy's growth. Meanwhile, in response to the COVID-19 pandemic spreading across the world and the subsequent global economic recession, countries around the world have adopted quantitative easing policies. It is estimated that the global economy needs longer time to recover. Although China's economy has improved significantly in the second quarter, some indicators are still on the decline period-to-period. At the same time, overt upsurging challenges in the external environment, impact of the pandemic and world economic recession will also pose material and adverse effects to the domestic economy; as a result, the recovery in the domestic economy will face with pressure. In 2020, stabilising economic growth will remain to be the main goal of economic work. The Chinese government is expected to continue to intensify its efforts to stabilise macroeconomic growth, implement a proactive fiscal policy and a moderate easing monetary policy to speed up reform and opening up, and strengthen the "six stabilities" measures.

In the second half of the year, the government's regulatory policies will stabilise by consistently focusing on positioning "housing for living instead of speculation", along with China Region-specific regulatory policies that will not use the real estate industry as short-term economic stimulus. The government will continue to refine long-term property mechanisms to ensure stable and healthy development in the property market with measures on stabilising land prices, housing prices and expectation. Local governments will adjust property policies in consideration of housing price performance and local economic situation.

It is anticipated that when the pandemic is effectively under control, the housing demand that accumulated during the pandemic is expected to be further released. Consumers would like to pursue a healthy and safe living environment and life services. Besides that, new development opportunities will also come to property developers by meeting increased requirements of home buyers for product competitiveness, service standards, and refined levels of operation. In the second half of the year, the property market will continue to rebound, and market performance will still be clearly differentiated; therefore, the overall market trend of "guaranteed volume and price controls" is developing. The overall market in tier-1 and tier-2 cities, the Greater Bay Area, and the Yangtze River Delta present sound trend due to strong demand for housing and greater room for favorable policies; however, tier-3 and tier-4 cities are under significant downward pressure. Both rigid and improved demand will still dominate the overall market. The government will implement categorized control measures based on land markets in different cities to enhance land supply and stabilise prices. Financing will remain moderate in general, while, the government will still strengthen capital supervision for property developers, which will result in a tightened domestic financing environment for property developers.

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



羅兵咸永道

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

We report on the historical financial information of Guangzhou Quanxi Industrial Development Company Limited (the "Shuixi Target Holding Company") and its subsidiary (together, the "Shuixi Target Group") set out on pages IIA-4 to IIA-24, which comprises the consolidated and company balance sheet as at 30 June 2020 and the consolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows from 20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-24 forms an integral part of this report, which has been prepared for inclusion in the circular of Yuexiu Property Company Limited (the "Company") dated 23 September 2020 in connection with the proposed acquisition of Shuixi Target Holding Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Shuixi Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of Shuixi Target Holding Company and its subsidiary now comprising Shuixi Target Group for the Track Record Period. The directors of the respective companies now comprising Shuixi Target Group are responsible for the preparation of the management accounts of Shuixi Target Holding Company and its subsidiary now comprising Shuixi Target Group in accordance with the relevant accounting principles generally accepted in their places of incorporation, and for such internal control as the respective directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Shuixi Target Holding Company as at 30 June 2020, the consolidated financial position of Shuixi Target Group as at 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF
SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

Adjustments

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

23 September 2020

I. HISTORICAL FINANCIAL INFORMATION OF SHUIXI TARGET GROUP**Preparation of Historical Financial Information**

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

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

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

(A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020 <i>RMB'000</i>
	<i>Note</i>	
Administrative expenses		<u>(1)</u>
Operating loss		(1)
Finance income	5	20
Finance costs	6	<u>(1,104)</u>
Loss before taxation		(1,085)
Taxation	7	<u>(2)</u>
Loss and total comprehensive loss for the period		<u><u>(1,087)</u></u>
Attributable to:		
– Equity holders of Shuixi Target Holding Company		(1,089)
– Non controlling interests		<u>2</u>
		<u><u>(1,087)</u></u>

(B) CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 June 2020 RMB'000
ASSETS		
Non-current assets		
Properties under development	<i>10</i>	2,380,344
Deferred income tax assets	<i>15</i>	9,053
		<u>2,389,397</u>
Current assets		
Properties under development	<i>10</i>	1,613,057
Other receivables		82
Cash and cash equivalents	<i>11</i>	19,925
		<u>1,633,064</u>
Total assets		<u><u>4,022,461</u></u>
LIABILITIES		
Current liabilities		
Trade payable	<i>12</i>	716,020
Other payables and accrued charges	<i>13</i>	3,745
Amount due to ultimate holding company	<i>18(c)</i>	7,676
Amounts due to non-controlling interests	<i>14</i>	38,645
		<u>766,086</u>
Non-current liabilities		
Amount due to ultimate holding company	<i>18(c)</i>	1,672,501
Amounts due to non-controlling interests	<i>14</i>	1,064,006
		<u>2,736,507</u>
Total liabilities		<u><u>3,502,593</u></u>
EQUITY		
Capital and reserves attributable to equity holders of Shuixi Target Holding Company		
Share capital	<i>16</i>	10,000
Accumulated losses		(1,089)
		<u>8,911</u>
Non-controlling interests		510,957
		<u>519,868</u>
Total equity		<u><u>519,868</u></u>
Total equity and liabilities		<u><u>4,022,461</u></u>
Net current assets		<u><u>866,978</u></u>
Total assets less current liabilities		<u><u>3,256,375</u></u>

(C) BALANCE SHEET OF SHUIXI TARGET HOLDING COMPANY

	<i>Note</i>	As at 30 June 2020 RMB'000
ASSETS		
Non-current assets		
Interest in a subsidiary	9	531,810
Amount due from a subsidiary	18(c)	<u>1,107,435</u>
		<u>1,639,245</u>
Current assets		
Amount due from a subsidiary	18(c)	40,222
Cash and cash equivalents	11	<u>10,012</u>
		<u>50,234</u>
Total assets		<u><u>1,689,479</u></u>
LIABILITIES		
Current liabilities		
Other payables and accrued charges		394
Amount due to ultimate holding company	18(c)	<u>7,676</u>
		<u>8,070</u>
Non-current liabilities		
Amount due to ultimate holding company	18(c)	<u>1,672,501</u>
Total liabilities		<u><u>1,680,571</u></u>
EQUITY		
Share capital	16	10,000
Accumulated losses		<u>(1,092)</u>
Total equity		<u><u>8,908</u></u>
Total equity and liabilities		<u><u>1,689,479</u></u>
Net current assets		<u><u>42,164</u></u>
Total assets less current liabilities		<u><u>1,681,409</u></u>

(D) CONSOLIDATED STATEMENT OF CASH FLOWS

	20 January 2020
	(date of
	incorporation of
	Shuixi Target
	Holding Company)
	to 30 June 2020
<i>Note</i>	<i>RMB'000</i>
Operating activities	
Operating loss and operating cash flows before movements in working capital	(1)
Increase in properties under development	(2,394)
Increase in properties under development through acquisition of a subsidiary, net cash paid	8 (113,904)
Increase in other payables and accrued charges	2,788
Net cash used in operations	(113,511)
Interest received	20
Net cash used in operating activities	(113,491)
Financing activities	
Capital contribution from immediate holding company	10,000
Increase in amount due to ultimate holding company	123,416
Cash generated from financing activities	133,416
Increase in cash and cash equivalents	19,925
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	19,925

(E) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Shuixi Target Holding Company				
	Share capital	Accumulated		Non- controlling	
	(Note 16) RMB'000	losses RMB'000	Subtotal RMB'000	interests RMB'000	Total RMB'000
Balance at 20 January 2020 (date of incorporation of Shuixi Target Holding Company)	-	-	-	-	-
(Loss)/profit and total comprehensive (loss)/income for the period	-	(1,089)	(1,089)	2	(1,087)
Total comprehensive (loss)/income for the period	-	(1,089)	(1,089)	2	(1,087)
Transactions with owners					
Capital injection (Note 16)	10,000	-	10,000	-	10,000
Capital contribution from non-controlling interests (Note 17)	-	-	-	392,000	392,000
Non-controlling interests of a newly acquired subsidiary (Note 8)	-	-	-	118,955	118,955
Total transactions with owners	10,000	-	10,000	510,955	520,955
Balance at 30 June 2020	10,000	(1,089)	8,911	510,957	519,868

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Guangzhou Quanxi Industrial Development Company Limited (the "Shuixi Target Holding Company") was incorporated in the People's Republic of China (the "PRC") on 20 January 2020. The address of its registered office is Room 6401, No. 5, Zhujiang West Road, Guangzhou, PRC.

Shuixi Target Holding Company is an investment holding company and is wholly owned by Strong Arise Limited ("Strong Arise"). The ultimate holding company of Shuixi Target Holding Company is Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu").

On 5 June 2020, Shuixi Target Holding Company acquired 51% equity interest in Guangzhou City Pinguan Property Development Company Limited (the "Shuixi Target Company") from Guangzhou Metro Group Co., Ltd. ("Guangzhou Metro"). As the majority of the directors are appointed by Shuixi Target Holding Company and the resolutions of the board of directors are passed by a simple majority, Shuixi Target Company became a direct non wholly-owned subsidiary of Shuixi Target Holding Company. On the same day, Science City (Guangzhou) Investment Group Limited ("Science City"), an independent third party, acquired 20% equity interest in Shuixi Target Company from Guangzhou Metro, and became the non-controlling interest of Shuixi Target Company.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.1 Changes in accounting policies and disclosures

New standards and amendments to existing standards that have been issued but are not effective as at 1 January 2020 and have not been early adopted by Shuixi Target Group:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 3 (Amendments)	Business Combinations	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment	1 January 2022
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
HKFRS 1 (Amendments)	First-time Adoption of HKFRS	1 January 2022
Annual improvements to HKFRS 9	Financial Instruments	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing the Historical Financial Information. According to the preliminary assessment made by the directors of Shuixi Target Holding Company, no significant impact on the financial performance and position of Shuixi Target Group is expected when they become effective.

2.2 Principles of consolidation

Subsidiary

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

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

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

2.3 Separate financial statements

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

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

2.4 Business combination

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

2.5 Impairment of non-financial assets

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

2.6 Investments in financial assets

(i) Classification

Shuixi Target Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

(iv) Impairment

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

2.7 Offsetting financial instruments

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

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

2.8 Properties under development

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

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

2.9 Cash and cash equivalents

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

2.10 Trade payable

These amounts represent liabilities for goods and services provided to Shuixi Target Group to the end of financial year which are unpaid. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Borrowings

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

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

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

2.12 Borrowings costs

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

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

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

2.13 Share capital

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

2.14 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

2.15 Provisions

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Liquidity risk

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

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

Contractual maturities of financial liabilities	Less than one year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 30 June 2020				
Trade payables	716,020	–	–	716,020
Other payables and accrual charges	3,745	–	–	3,745
Amount due to ultimate holding company	116,389	108,713	1,991,365	2,216,467
Amount due to non-controlling interests	107,805	69,160	1,238,132	1,415,097
	<u>943,959</u>	<u>177,873</u>	<u>3,229,497</u>	<u>4,351,329</u>

3.2 Capital management

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

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

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Shuixi Target Holding Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

5 FINANCE INCOME

	20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020 RMB'000
Interest income from bank deposits	20

6 FINANCE COSTS

	20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020 RMB'000
Interest on amount due to Guangzhou Yue Xiu (Note 18(b))	8,070
Interest on amount due to Guangzhou Metro (Note 18(b))	3,961
Interest on amount due to Science City	2,732
Total interest expense	14,763
Less: amount capitalised based upon qualifying assets of properties under development (Note (a))	(13,659)
	<u>1,104</u>

- (a) For the period from 20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020, borrowing costs capitalised as properties under development are calculated by applying capitalisation rate of 6.5 percent per annum.

7 TAXATION

Taxation on Shuixi Target Group's loss before tax differs from the theoretical amount that would arise using China corporate income tax of 25% as follows:

	20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020 <i>RMB'000</i>
Deferred taxation (<i>Note 15</i>)	<u>2</u>
	20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020 <i>RMB'000</i>
Loss before taxation	(1,085)
Calculated at China corporate income tax rate of 25%	(271)
Tax losses for which no deferred income tax asset was recognised	<u>273</u>
Taxation	<u>2</u>

8 ACQUISITION OF SHUIXI TARGET COMPANY

On 4 June 2020, Shuixi Target Holding Company, Guangzhou Yue Xiu, Science City and Guangzhou Metro entered into an equity transfer agreement pursuant to which Guangzhou Metro sold 51% of the equity interest in Shuixi Target Company to Shuixi Target Holding Company for a consideration of approximately RMB124 million. This transaction was completed on 5 June 2020 (the "Acquisition Date").

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

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

	<i>RMB'000</i>
Total consideration transferred – cash paid	<u>123,810</u>

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

	<i>RMB'000</i>
Properties under development	3,977,347
Deferred income tax assets	9,055
Other receivables	83
Cash and cash equivalents	9,906
Trade payable	(716,020)
Other payables and accrued charges	(957)
Amount due to ultimate holding company	(1,548,691)
Amounts due to non-controlling interests	(1,487,958)
	<hr/>
Total identifiable net assets	242,765
	<hr/>
Non-controlling interest (<i>Note</i>)	(118,955)
	<hr/>
Identifiable net assets acquired	<u>123,810</u>

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

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

	<i>RMB'000</i>
Cash paid	123,810
Cash and bank balance acquired	(9,906)
	<hr/>
	<u>113,904</u>

9 SUBSIDIARY

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

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Principal activities	Paid-in capital	Ownership interest held by Shuixi Target Holding Company as at 30 June 2020	Ownership interest held by non-controlling interests as at 30 June 2020
Guangzhou City Pinguan Property Development Company Limited	11 December 2019	China, limited liability company	Property development	RMB10,000,000	51%	49%

(a) Non-controlling interest

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

	Shuixi Target Company As at 30 June 2020 RMB'000
Summarised balance sheet	
Current assets	1,623,052
Current liabilities	798,238
	<hr/>
Net current assets	824,814
Non-current assets	2,389,397
Non-current liabilities	2,171,441
	<hr/>
Net non-current assets	217,956
Net assets	1,042,770
	<hr/> <hr/>
Non-controlling interests	510,957
	<hr/> <hr/>
	 Shuixi Target Company from Acquisition Date to 30 June 2020 RMB'000
Summarised statement of comprehensive income	
Finance income – net	7
	<hr/> <hr/>
Profit and total comprehensive income for the period	5
	<hr/> <hr/>
Profit allocated to non-controlling interests	2
	<hr/> <hr/>
	 Shuixi Target Company from Acquisition Date to 30 June 2020 RMB'000
Summarised cash flows	
Cash flows generated from operating activities	7
	<hr/>
Net increase in cash and cash equivalents	7
	<hr/> <hr/>

10 PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2020 RMB'000
Amounts expected to be completed:	
Within a normal operating cycle included under current assets	1,613,057
Beyond a normal operating cycle included under non-current assets	2,380,344
	<u>3,993,401</u>
	<u><u>3,993,401</u></u>
	As at 30 June 2020 RMB'000
Properties under development comprise:	
Land use rights	3,976,391
Construction cost and capitalised expenditures	3,351
Finance cost capitalised	13,659
	<u>3,993,401</u>
	<u><u>3,993,401</u></u>

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

Properties under development is located in Guangzhou, PRC.

As at 30 June 2020 properties under development are expected to be recovered more than one year after the balance sheet date.

11 CASH AND CASH EQUIVALENTS

Shuixi Target Group

	As at 30 June 2020 RMB'000
Cash at bank	<u>19,925</u>
Maximum exposure to credit risk	<u>19,925</u>

Shuixi Target Holding Company

	As at 30 June 2020 RMB'000
Cash at bank	<u>10,012</u>
Maximum exposure to credit risk	<u>10,012</u>

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

12 TRADE PAYABLE

	As at 30 June 2020 RMB'000
Outstanding payable for landbank	716,020

13 OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2020 RMB'000
Accrual for construction related costs	3,351
Tax payable	394
	<u>3,745</u>

14 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	As at 30 June 2020 RMB'000
Current	
Amount due to Guangzhou Metro (<i>Note 18(c)</i>)	22,871
Amount due to Science City (<i>Note (a)</i>)	15,774
	<u>38,645</u>
Non-current	
Amount due to Guangzhou Metro (<i>Note 18(c)</i>)	629,718
Amount due to Science City (<i>Note (a)</i>)	434,288
	<u>1,064,006</u>
	<u>1,102,651</u>

- (a) The non-current amount is a principal of a shareholder's loan, which is unsecured, denominated in RMB, interest bearing at 6.5% per annum and repayable in 2024 and 2025. The current amount is interest payable for the above principal.

15 DEFERRED TAXATION

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rate. The majority of the deferred income tax items are expected to be recovered after more than 12 months. No deferred income tax assets and liabilities are offset as there were no balances of deferred income tax liabilities as at 30 June 2020.

The gross movement on the deferred income tax assets are as follows:

	Tax loss <i>RMB'000</i>
As at 20 January 2020 (date of incorporation of Shuixi Target Holding Company)	–
Debit to profit or loss during the period (<i>Note 7</i>)	(2)
Acquisition of Shuixi Target Company (<i>Note 8</i>)	9,055
	<hr/>
As at 30 June 2020	9,053
	<hr/> <hr/>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 30 June 2020, Shuixi Target Group had unrecognised deferred income tax assets of approximately RMB273,000 in respect of tax losses of approximately RMB1,092,000 which will expire in 2025.

16 SHARE CAPITAL

Shuixi Target Group and Shuixi Target Holding Company

	Paid-in capital <i>RMB'000</i>
As at 20 January 2020 (date of incorporation of Shuixi Target Holding Company)	–
Capital injection	10,000
	<hr/>
Balance as at 30 June 2020	10,000
	<hr/> <hr/>

17 CASH FLOW INFORMATION

(a) Non-cash financing activities

Capital contribution from non-controlling interests, amounting to RMB392 million, was transferred from amounts due to non-controlling interests.

(b) Reconciliation of liabilities arising from financing activities

	As at 20 January 2020 (date of incorporation of Shuixi Target Holding Company) <i>RMB'000</i>	Cash flows <i>RMB'000</i>	Other changes Acquisition (<i>Note 8</i>) <i>RMB'000</i>	Interest accrued (<i>Note 6</i>) <i>RMB'000</i>	As at 30 June 2020 <i>RMB'000</i>
Liabilities					
Amount due to Guangzhou Yue Xiu	–	123,416	1,548,691	8,070	1,680,177
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 SIGNIFICANT RELATED PARTY TRANSACTIONS**(a) Related parties**

The table below summaries the names of related parties with whom Shuixi Target Group had significant transactions during the Track Record Period, and their relationship with Shuixi Target Group as at 30 June 2020:

Significant related parties	Relationship with Shuixi Target Group
Guangzhou Yue Xiu	Ultimate holding company
Guangzhou Metro	Entity with significant influence over Shuixi Target Company

(b) Transactions with related parties

Save as disclosed in Note 8 in the Historical Financial Information, Shuixi Target Group had the following transactions with related parties during the Track Record Period:

	20 January 2020 (date of incorporation of Shuixi Target Holding Company) to 30 June 2020 RMB'000
(i) Transaction with Guangzhou Yue Xiu Interest expense (<i>Note 6</i>)	8,070
(ii) Transaction with Guangzhou Metro Interest expense (<i>Note 6</i>)	3,961

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

(c) Balances with related parties

Shuixi Target Group	As at 30 June 2020 RMB'000
Current amount due to Guangzhou Yue Xiu (<i>i</i>)	7,676
Non-current amount due to Guangzhou Yue Xiu (<i>i</i>)	1,672,501
	<u>1,680,177</u>
Current amount due to Guangzhou Metro (<i>i</i>)	22,871
Non-current amount due to Guangzhou Metro (<i>i</i>)	629,718
	<u>652,589</u>
	<u>2,332,766</u>

- (i) The non-current amounts are principals of shareholders' loans, which are unsecured, denominated in RMB, interest bearing at 6.5% per annum and repayable in 2024 and 2025. The current amounts are interest payable for the above principals.

Shuixi Target Holding Company

	As at 30 June 2020 RMB'000
Current amount due from Shuixi Target Company (i)	40,222
Non-current amount due from Shuixi Target Company (i)	1,107,435
	<u>1,147,657</u>

- (i) The non-current amount is a principal of a shareholder's loan, which is unsecured, denominated in RMB, interest bearing at 6.5% per annum and recoverable in 2024 and 2025. The current amount is interest receivable for the above principal.

	As at 30 June 2020 RMB'000
Current amount due to Guangzhou Yue Xiu (ii)	7,676
Non-current amount due to Guangzhou Yue Xiu (ii)	1,672,501
	<u>1,680,177</u>

- (ii) The non-current amount is a principal of a shareholder's loan, which is unsecured, denominated in RMB, interest bearing at 6.5% per annum and repayable in 2025. The current amount is interest payable for the above principal.

(d) Key management compensation

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

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Shuixi Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2020 and up to the date of this report. No dividend or distribution has been declared or made by Shuixi Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2020.

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



羅兵咸永道

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

We report on the historical financial information of Guangzhou Quanlong Industrial Development Company Limited (the "Zhenlong Target Holding Company") and its subsidiary (together, the "Zhenlong Target Group") set out on pages IIB-4 to IIB-24, which comprises the consolidated and company balance sheet as at 30 June 2020 and the consolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows from 17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-4 to IIB-24 forms an integral part of this report, which has been prepared for inclusion in the circular of Yuexiu Property Company Limited (the "Company") dated 23 September 2020 in connection with the proposed acquisition of Zhenlong Target Holding Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Zhenlong Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of Zhenlong Target Holding Company and its subsidiary now comprising Zhenlong Target Group for the Track Record Period. The directors of the respective companies now comprising Zhenlong Target Group are responsible for the preparation of the management accounts of Zhenlong Target Holding Company and its subsidiary now comprising Zhenlong Target Group in accordance with the relevant accounting principles generally accepted in their places of incorporation, and for such internal control as the respective directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Zhenlong Target Holding Company as at 30 June 2020, the consolidated financial position of Zhenlong Target Group as at 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF
SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

Adjustments

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

23 September 2020

I. HISTORICAL FINANCIAL INFORMATION OF ZHENLONG TARGET GROUP**Preparation of Historical Financial Information**

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

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

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

(A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020 <i>RMB'000</i>
	<i>Note</i>	
Administrative expenses		<u>(275)</u>
Operating loss		(275)
Finance income	5	30
Finance costs	6	<u>(1,153)</u>
Loss before taxation		(1,398)
Taxation	7	<u>64</u>
Loss and total comprehensive loss for the period		<u><u>(1,334)</u></u>
Attributable to:		
– Equity holders of Zhenlong Target Holding Company		(1,239)
– Non controlling interests		<u>(95)</u>
		<u><u>(1,334)</u></u>

(B) CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 June 2020 RMB'000
ASSETS		
Non-current assets		
Properties under development	<i>10</i>	2,000,744
Deferred income tax assets	<i>15</i>	10,302
		<u>2,011,046</u>
Current assets		
Properties under development	<i>10</i>	3,667,089
Other receivables		3
Cash and cash equivalents	<i>11</i>	19,997
		<u>3,687,089</u>
Total assets		<u><u>5,698,135</u></u>
LIABILITIES		
Current liabilities		
Trade payables	<i>12</i>	2,075,591
Other payables and accrued charges	<i>13</i>	12,409
Amount due to ultimate holding company	<i>18(c)</i>	8,571
Amount due to non-controlling interests	<i>14</i>	42,929
		<u>2,139,500</u>
Non-current liabilities		
Amount due to ultimate holding company	<i>18(c)</i>	1,828,642
Amount due to non-controlling interests	<i>14</i>	1,062,834
		<u>2,891,476</u>
Total liabilities		<u><u>5,030,976</u></u>
EQUITY		
Capital and reserves attributable to equity holders of Zhenlong Target Holding Company		
Share capital	<i>16</i>	10,000
Accumulated losses		(1,239)
		<u>8,761</u>
Non-controlling interests		658,398
Total equity		<u><u>667,159</u></u>
Total equity and liabilities		<u><u>5,698,135</u></u>
Net current assets		<u><u>1,547,589</u></u>
Total assets less current liabilities		<u><u>3,558,635</u></u>

(C) BALANCE SHEET OF ZHENLONG TARGET HOLDING COMPANY

	<i>Note</i>	As at 30 June 2020 RMB'000
ASSETS		
Non-current assets		
Interest in a subsidiary	9	685,370
Amount due from a subsidiary	18(c)	<u>1,106,215</u>
		<u>1,791,585</u>
Current assets		
Amount due from a subsidiary	18(c)	44,681
Cash and cash equivalents	11	<u>10,012</u>
		<u>54,693</u>
Total assets		<u><u>1,846,278</u></u>
LIABILITIES		
Current liabilities		
Other payables and accrued charges		432
Amount due to ultimate holding company	18(c)	<u>8,345</u>
		<u>8,777</u>
Non-current liabilities		
Amount due to ultimate holding company	18(c)	<u>1,828,642</u>
Total liabilities		<u><u>1,837,419</u></u>
EQUITY		
Share capital	16	10,000
Accumulated losses		<u>(1,141)</u>
Total equity		<u><u>8,859</u></u>
Total equity and liabilities		<u><u>1,846,278</u></u>
Net current assets		<u><u>45,916</u></u>
Total assets less current liabilities		<u><u>1,837,501</u></u>

(D) CONSOLIDATED STATEMENT OF CASH FLOWS

	17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020
<i>Note</i>	<i>RMB'000</i>
Operating activities	
Operating loss and operating cash flows before movements in working capital	(275)
Increase in properties under development	(11,703)
Increase in properties under development through acquisition of a subsidiary, net cash paid	8 (114,403)
Increase in other payables and accrued charges	12,409
Net cash used in operations	(113,972)
Interest received	30
Net cash used in operating activities	(113,942)
Financing activities	
Capital contribution from immediate holding company	10,000
Increase in amount due to ultimate holding company	123,939
Cash generated from financing activities	133,939
Increase in cash and cash equivalents	19,997
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	19,997

(E) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Zhenlong Target Holding Company			Non- controlling interests RMB'000	Total RMB'000
	Share capital (Note 16) RMB'000	Accumulated losses RMB'000	Subtotal RMB'000		
Balance at 17 January 2020 (date of incorporation of Zhenlong Target Holding Company)	-	-	-	-	-
Loss and total comprehensive loss for the period	-	(1,239)	(1,239)	(95)	(1,334)
Total comprehensive loss for the period	-	(1,239)	(1,239)	(95)	(1,334)
Transactions with owners					
Capital injection (Note 16)	10,000	-	10,000	-	10,000
Capital contribution from non-controlling interests (Note 17)	-	-	-	539,000	539,000
Non-controlling interests of a newly acquired subsidiary (Note 8)	-	-	-	119,493	119,493
Total transactions with owners	10,000	-	10,000	658,493	668,493
Balance at 30 June 2020	10,000	(1,239)	8,761	658,398	667,159

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Guangzhou Quanlong Industrial Development Company Limited. (the “Zhenlong Target Holding Company”) was incorporated in the People’s Republic of China (the “PRC”) on 17 January 2020. The address of its registered office is Room 6401, No. 5, Zhujiang West Road, Guangzhou, PRC.

Zhenlong Target Holding Company is an investment holding company and is wholly owned by Strong Arise Limited (“Strong Arise”). The ultimate holding company of Zhenlong Target Holding Company is Guangzhou Yue Xiu Holdings Limited (“Guangzhou Yue Xiu”).

On 5 June 2020, Zhenlong Target Holding Company acquired 51% equity interest in Guangzhou City Pinhui Property Development Company Limited (the “Zhenlong Target Company”) from Guangzhou Metro Group Co., Ltd. (“Guangzhou Metro”). As the majority of the directors are appointed by Zhenlong Target Holding Company and the resolutions of the board of directors are passed by a simple majority, Zhenlong Target Company became a direct non wholly-owned subsidiary of Zhenlong Target Holding Company. On the same day, Science City (Guangzhou) Investment Group Limited (“Science City”), an independent third party, acquired 20% equity interest in Zhenlong Target Company from Guangzhou Metro, and became the non-controlling interest of Zhenlong Target Company.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.1 Changes in accounting policies and disclosures

New standards and amendments to existing standards that have been issued but are not effective as at 1 January 2020 and have not been early adopted by Zhenlong Target Group:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 3 (Amendments)	Business Combinations	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment	1 January 2022
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
HKFRS 1 (Amendments)	First-time Adoption of HKFRS	1 January 2022
Annual improvements to HKFRS 9	Financial Instruments	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing the Historical Financial Information. According to the preliminary assessment made by the directors of Zhenlong Target Holding Company, no significant impact on the financial performance and position of Zhenlong Target Group is expected when they become effective.

2.2 Principles of consolidation

Subsidiary

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

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

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

2.3 Separate financial statements

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

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

2.4 Business combination

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

2.5 Impairment of non-financial assets

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

2.6 Investments in financial assets

(i) Classification

Zhenlong Target Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

(iv) Impairment

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

2.7 Offsetting financial instruments

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

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

2.8 Properties under development

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

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

2.9 Cash and cash equivalents

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

2.10 Trade payables

These amounts represent liabilities for goods and services provided to Zhenlong Target Group to the end of financial year which are unpaid. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Borrowings

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

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

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

2.12 Borrowings costs

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

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

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

2.13 Share capital

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

2.14 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

2.15 Provisions

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Liquidity risk

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

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

Contractual maturities of financial liabilities	Less than one year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
At 30 June 2020				
Trade payables	2,075,591	–	–	2,075,591
Other payables and accrual charges	12,409	–	–	12,409
Amount due to ultimate holding company	127,433	118,862	2,177,322	2,423,617
Amount due to non-controlling interests	112,013	69,084	1,233,913	1,415,010
	<u>2,327,446</u>	<u>187,946</u>	<u>3,411,235</u>	<u>5,926,627</u>

3.2 Capital management

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

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

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Zhenlong Target Holding Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

5 FINANCE INCOME

	17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020 RMB'000
Interest income from bank deposits	30

6 FINANCE COSTS

	17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020 RMB'000
Interest on amount due to Guangzhou Yue Xiu (Note 18(b))	9,003
Interest on amount due to Guangzhou Metro (Note 18(b))	4,335
Interest on amount due to Science City	2,990
Total interest expense	16,328
Less: amount capitalised based upon qualifying assets of properties under development (Note (a))	(15,175)
	<u>1,153</u>

- (a) For the period from 17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020, borrowing costs capitalised as properties under development are calculated by applying capitalisation rate of 6.5 percent per annum.

7 TAXATION

Taxation on Zhenlong Target Group's loss before tax differs from the theoretical amount that would arise using China corporate income tax of 25% as follows:

	17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020 <i>RMB'000</i>
Deferred taxation (<i>Note 15</i>)	(64)
	<u><u>(64)</u></u>
	17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020 <i>RMB'000</i>
Loss before taxation	(1,398)
Calculated at China corporate income tax rate of 25%	(350)
Tax losses for which no deferred income tax asset was recognised	286
	<u><u>286</u></u>
Taxation	(64)
	<u><u>(64)</u></u>

8 ACQUISITION OF ZHENLONG TARGET COMPANY

On 4 June 2020, Zhenlong Target Holding Company, Guangzhou Yue Xiu, Science City and Guangzhou Metro entered into an equity transfer agreement pursuant to which Guangzhou Metro sold 51% of the equity interest in Zhenlong Target Company to Zhenlong Target Holding Company for a consideration of approximately RMB124 million. This transaction was completed on 5 June 2020 (the "Acquisition Date").

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

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

	<i>RMB'000</i>
Total consideration transferred – cash paid	124,370
	<u><u>124,370</u></u>

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

	<i>RMB'000</i>
Properties under development	5,640,955
Deferred income tax assets	10,238
Other receivables	3
Cash and cash equivalents	9,967
Trade payables	(2,075,591)
Amount due to ultimate holding company	(1,704,271)
Amount due to non-controlling interests	(1,637,438)
	<hr/>
Total identifiable net assets	243,863
	<hr/>
Non-controlling interest (<i>Note</i>)	119,493
	<hr/>
Identifiable net assets acquired	<u>124,370</u>

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

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

	<i>RMB'000</i>
Cash paid	124,370
Cash and bank balance acquired	(9,967)
	<hr/>
	<u>114,403</u>

9 SUBSIDIARY

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

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Principal activities	Paid-in capital	Ownership interest held by Zhenlong Target Holding Company as at 30 June 2020	Ownership interest held by non-controlling interests as at 30 June 2020
Guangzhou City Pinhui Property Development Company Limited	11 December 2019	China, limited liability company	Property development	RMB10,000,000	51%	49%

(a) Non-controlling interest

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

	Zhenlong Target Company As at 30 June 2020 RMB'000
Summarised balance sheet	
Current assets	3,677,077
Current liabilities	<u>(2,175,404)</u>
Net current assets	1,501,673
Non-current assets	2,011,046
Non-current liabilities	<u>(2,169,049)</u>
Net non-current liabilities	(158,003)
Net assets	<u><u>1,343,670</u></u>
Non-controlling interests	<u><u>658,398</u></u>
	Zhenlong Target Company from Acquisition Date to 30 June 2020 RMB'000
Summarised statement of comprehensive income	
Finance income – net	<u><u>18</u></u>
Loss and total comprehensive loss for the period	<u><u>(193)</u></u>
Loss allocated to non-controlling interests	<u><u>(95)</u></u>
	Zhenlong Target Company from Acquisition Date to 30 June 2020 RMB'000
Summarised cash flows	
Cash flows generated from operating activities	<u>18</u>
Net increase in cash and cash equivalents	<u><u>18</u></u>

10 PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2020 RMB'000
Amounts expected to be completed:	
Within a normal operating cycle included under current assets	3,667,089
Beyond a normal operating cycle included under non-current assets	2,000,744
	<u>5,667,833</u>
	<u><u>5,667,833</u></u>
	As at 30 June 2020 RMB'000
Properties under development comprise:	
Land use rights	5,640,924
Construction cost and capitalised expenditures	11,734
Finance cost capitalised	15,175
	<u>5,667,833</u>
	<u><u>5,667,833</u></u>

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

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

As at 30 June 2020, properties under development are expected to be recovered more than one year after the balance sheet date.

11 CASH AND CASH EQUIVALENTS

Zhenlong Target Group

	As at 30 June 2020 RMB'000
Cash at bank	19,997
	<u>19,997</u>
Maximum exposure to credit risk	19,997
	<u>19,997</u>

Zhenlong Target Holding Company

	As at 30 June 2020 RMB'000
Cash at bank	10,012
	<u>10,012</u>
Maximum exposure to credit risk	10,012
	<u>10,012</u>

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

12 TRADE PAYABLES

	As at 30 June 2020 RMB'000
Outstanding payable for landbank	2,075,591

13 OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2020 RMB'000
Accrual for construction related costs	11,703
Tax payable	706
	<u>12,409</u>

14 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	As at 30 June 2020 RMB'000
Current	
Amount due to Guangzhou Metro (<i>Note 18(c)</i>)	25,407
Amount due to Science City (<i>Note (a)</i>)	17,522
	<u>42,929</u>
Non-current	
Amount due to Guangzhou Metro (<i>Note 18(c)</i>)	629,024
Amount due to Science City (<i>Note (a)</i>)	433,810
	<u>1,062,834</u>
	<u>1,105,763</u>

- (a) The non-current amount is a principal of a shareholder's loan, which is unsecured, denominated in RMB, interest bearing at 6.5% per annum and repayable in 2024 and 2025. The current amount is interest payable for the above principal.

15 DEFERRED TAXATION

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rate. The majority of the deferred income tax items are expected to be recovered after more than 12 months. No deferred income tax assets and liabilities are offset as there were no balances of deferred income tax liabilities as at 30 June 2020.

The movement on the deferred income tax assets are as follows:

	Tax loss <i>RMB'000</i>
As at 17 January 2020 (date of incorporation of Zhenlong Target Holding Company)	–
Credit to profit or loss during the period (<i>Note 7</i>)	64
Acquisition of Zhenlong Target Company (<i>Note 8</i>)	10,238
	<hr/>
As at 30 June 2020	10,302
	<hr/> <hr/>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 30 June 2020, Zhenlong Target Group had unrecognised deferred income tax assets of approximately RMB286,000 in respect of tax losses of approximately RMB1,141,000 which will expire in 2025.

16 SHARE CAPITAL

Zhenlong Target Group and Zhenlong Target Holding Company

	Paid-in capital <i>RMB'000</i>
Opening balance as at 17 January 2020 (date of incorporation Zhenlong Target Holding Company)	–
Capital injection	10,000
	<hr/>
Balance as at 30 June 2020	10,000
	<hr/> <hr/>

17 CASH FLOW INFORMATION

(a) Non-cash financing activities

Capital contribution from non-controlling interests, amounting to RMB539 million, was transferred from amounts due to non-controlling interests.

(b) Reconciliation of liabilities arising from financing activities

	As at 17 January 2020 (date of incorporation Zhenlong Target Holding Company)		Other changes		As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	Acquisition (<i>Note 8</i>) <i>RMB'000</i>	Interest accrued (<i>Note 7</i>) <i>RMB'000</i>	
Liabilities					
Amount due to Guangzhou Yue Xiu	–	123,939	1,704,271	9,003	1,837,213
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

18 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The table below summaries the names of related parties with whom Zhenlong Target Group has significant transactions during the Track Record Period, and their relationship with Zhenlong Target Group as at 30 June 2020:

Significant related parties	Relationship with Zhenlong Target Group
Guangzhou Yue Xiu	Ultimate holding company
Guangzhou Metro	Entity with significant influence over Zhenlong Target Company

(b) Transactions with related parties

Save as disclosed in Note 8 in the Historical Financial Information, Zhenlong Target Group had the following transactions with related parties during the Track Record Period:

	17 January 2020 (date of incorporation of Zhenlong Target Holding Company) to 30 June 2020 RMB'000
(i) Transaction with Guangzhou Yue Xiu Interest expense (Note 6)	9,003
(ii) Transaction with Guangzhou Metro Interest expense (Note 6)	4,335

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

(c) Balances with related parties

Zhenlong Target Group

	As at 30 June 2020 RMB'000
Current amount due to Guangzhou Yue Xiu (i)	8,571
Non-current amount due to Guangzhou Yue Xiu (i)	1,828,642
	1,837,213
Current amount due to Guangzhou Metro (i)	25,407
Non-current amount due to Guangzhou Metro (i)	629,024
	654,431
	2,491,644

- (i) The non-current amounts are principals of shareholders' loans, which are unsecured, denominated in RMB, interest bearing at 6.5% per annum and repayable in 2024 and 2025. The current amounts are interest payable. Other than approximately RMB226,000, which the principal (being a temporary loan from the ultimate holding company) has already been repaid as at 30 June 2020, the remaining proportion are for the above principals.

Zhenlong Target Holding Company

	As at 30 June 2020 <i>RMB'000</i>
Current amount due from Zhenlong Target Company (i)	44,681
Non-current amount due from Zhenlong Target Company (i)	1,106,215
	<u>1,150,896</u>

- (i) The non-current amount is a principal of a shareholder's loan, which is unsecured, denominated in RMB, interest bearing at 6.5% per annum and recoverable in 2024 and 2025. The current amount is interest receivable for the above principal.

	As at 30 June 2020 <i>RMB'000</i>
Current amount due to Guangzhou Yue Xiu (ii)	8,345
Non-current amount due to Guangzhou Yue Xiu (ii)	1,828,642
	<u>1,836,987</u>

- (ii) The non-current amount is a principal of a shareholder's loan, which is unsecured, denominated in RMB, interest bearing at 6.5% per annum and repayable in 2025. The current amount is interest payable for the above principal.

(d) Key management compensation

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

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Zhenlong Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2020 and up to the date of this report. No dividend or distribution has been declared or made by Zhenlong Target Holding Company or its subsidiary in respect of any period subsequent to 30 June 2020.

Set out below is the management discussion and analysis of the Shuixi Target Group for the period from 20 January 2020 (being the date of incorporation of the Shuixi Target Holding Company) to 30 June 2020 (the “Track Record Period”)

BUSINESS REVIEW

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

The Shuixi Project has a site area of 81,620 sq.m., a GFA of 338,789 sq.m. and a plot ratio accountable GFA of 224,455 sq.m. on which residential buildings and ancillary public facilities can be developed. The construction of the Shuixi Project commenced in June 2020, and as at the Latest Practicable Date, the Shuixi Project is still at its initial stage of development.

In June 2020, GZYX (indirectly through Shuixi Target Holding Company) acquired 51% equity interests in the Shuixi Target Company from Guangzhou Metro, at a consideration of approximately RMB1.67 billion (comprising (i) RMB0.12 billion as the consideration of the 51% equity interest of the Shuixi Target Company; and (ii) RMB1.55 billion as the consideration of the pro-rata share of the then outstanding shareholders’ loans including accrued interest).

FINANCIAL REVIEW

Revenue

As the Shuixi Project is at its initial stage of development, no revenue was derived by the Shuixi Target Group from property sales during the Track Record Period.

Finance Costs

Finance costs represented the net interest expenses incurred for the interest bearing amounts due to GZYX, Guangzhou Metro and Science City (being respectively, the ultimate holding company, related party that has significant influence over Shuixi Target Company and non-controlling interest of Shuixi Target Group) after deduction of the capitalized portion.

Property Under Development (Current and Non-Current)

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

Amount Due to Ultimate Holding Company (Current and Non-Current)

The balance of the amounts due to ultimate holding company includes the balance amounting to approximately RMB1,680.18 million (comprising the principal amount of the shareholder's loan of RMB1,672.50 million and the interest accrued during the Track Record Period of RMB7.68 million) payable to GZYY by Shuixi Target Group. The aforesaid balance is denominated in RMB. Such shareholder's loan is unsecured, interest bearing at an interest rate of 6.5% per annum and is repayable in 2025.

Amounts Due to Non-controlling Interests (Current and Non-Current)

The balance of the amounts due to non-controlling interests includes (i) the balance amounting to approximately RMB652.59 million (comprising the principal amount of the shareholder's loan of RMB629.72 million and the interest accrued of RMB22.87 million) payable to Guangzhou Metro; and (ii) the balance amounting to approximately RMB450.06 million (comprising the principal amount of the shareholder's loan of RMB434.29 million and the interest accrued of RMB15.77 million) payable to Science City. Each of the aforesaid balances is denominated in RMB. Such shareholder's loans are unsecured, interest bearing at an interest rate of 6.5% per annum and are repayable in 2024 and 2025.

Pledge of Assets

No assets were pledged by Shuixi Target Group as at 30 June 2020.

Contingent Liabilities

As at 30 June 2020, Shuixi Target Group did not have any contingent liabilities.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, the net assets and net current assets of Shuixi Target Group amounted to approximately RMB519.87 million and RMB866.98 million, respectively. Shuixi Target Group aims to maintain a balance between the continuity and flexibility of its funds through the use of the loans from its shareholders.

MATERIAL CHANGE

Save for the Acquisitions including the provision of the Further Shuixi Target Holdco Loan and the Target Special Loan by GZYY to the Shuixi Target Group, the Directors were not aware of any material change in the financial or trading position or outlook of the Shuixi Target Group since 30 June 2020, being the date to which the latest audited financial statements of the Shuixi Target Group were made up, and up to and including the Latest Practicable Date.

LITIGATION

As at the Latest Practicable Date, no member of the Shuixi Target Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, there was no litigation or claim of material importance pending or threatened by or against the any member of the Shuixi Target Group.

Set out below is the management discussion and analysis of the Zhenlong Target Group for the period from 17 January 2020 (being the date of incorporation of the Zhenlong Target Holding Company) to 30 June 2020 (the “Track Record Period”)

BUSINESS REVIEW

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

The Zhenlong Project has a site area of 242,175 sq.m., a GFA of 703,377 sq.m. and a plot ratio accountable GFA of 508,568 sq.m. on which residential buildings and ancillary public facilities can be developed. The construction of the Zhenlong Project commenced in June 2020, and as at the Latest Practicable Date, the Zhenlong Project is still at its initial stage of development.

In June 2020, GZYY (indirectly through Zhenlong Target Holding Company) acquired 51% equity interests in the Zhenlong Target Company from Guangzhou Metro, at a consideration of approximately RMB1.83 billion (comprising (i) RMB0.12 billion as the consideration of the 51% equity interest of the Zhenlong Target Company; and (ii) RMB1.71 billion as the consideration of the pro-rata share of the then outstanding shareholders’ loans including accrued interests).

FINANCIAL REVIEW

Revenue

As the Zhenlong Project is at its initial stage of development, no revenue was derived by the Zhenlong Target Group from property sales during the Track Record Period.

Finance Costs

Finance costs represented the net interest expenses incurred for the interest bearing amounts due to GZYY, Guangzhou Metro and Science City (being respectively, the ultimate holding company, related party that has significant influence over Zhenlong Target Company and non-controlling interest of Zhenlong Target Group) after deduction of the capitalized portion.

Property Under Development (Current and Non-Current)

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

Amount Due to Ultimate Holding Company (Current and Non-Current)

The balance of the amounts due to ultimate holding company includes the balance amounting to approximately RMB1,837.21 million (comprising the principal amount of the shareholder's loan of RMB1,828.64 million and the interest accrued during the Track Record Period of RMB8.57 million) payable to GZYZ by Zhenlong Target Group. The aforesaid balance is denominated in RMB. Such shareholder's loan is unsecured, interest bearing at an interest rate of 6.5% per annum and is repayable in 2025.

Amounts Due to Non-controlling Interests (Current and Non-Current)

The balance of the amounts due to non-controlling interests includes (i) the balance amounting to approximately RMB654.43 million (comprising the principal amount of the shareholder's loan of RMB629.02 million and the interest accrued of RMB25.41 million) payable to Guangzhou Metro; and (ii) the balance amounting to approximately RMB451.33 million (comprising the principal amount of the shareholder's loan of RMB433.81 million and the interest accrued of RMB17.52 million) payable to Science City, each payable by Zhenlong Target Company. Each of the aforesaid balances is denominated in RMB. Such shareholder's loans are unsecured, interest bearing at an interest rate of 6.5% per annum and are repayable in 2024 and 2025.

Pledge of Assets

No assets were pledged by Zhenlong Target Group as at 30 June 2020.

Contingent Liabilities

As at 30 June 2020, Zhenlong Target Group did not have any contingent liabilities.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, the net assets and net current assets of Zhenlong Target Group amounted to approximately RMB667.16 million and RMB1,547.59 million, respectively. Zhenlong Target Group aims to maintain a balance between the continuity and flexibility of its funds through the use of the loans from its shareholders.

MATERIAL CHANGE

Save for the Acquisitions including the provision of the Further Zhenlong Target Holdco Loan and the Target Special Loan by GZYYX to the Zhenlong Target Group, the Directors were not aware of any material change in the financial or trading position or outlook of the Zhenlong Target Group since 30 June 2020, being the date to which the latest audited financial statements of the Zhenlong Target Group were made up, and up to and including the Latest Practicable Date.

LITIGATION

As at the Latest Practicable Date, no member of the Zhenlong Target Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, there was no litigation or claim of material importance pending or threatened by or against the any member of the Zhenlong Target Group.

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

The following unaudited pro forma financial information of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the consolidated statement of assets and liabilities of the Enlarged Group as if the Acquisitions had been completed on 30 June 2020.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the consolidated balance sheet of the Group as at 30 June 2020, as set out in its published 2020 interim result announcement on the interim financial information for the six months ended 30 June 2020; (ii) the consolidated balance sheets of the Target Group as at 30 June 2020; and (iii) the pro forma adjustments prepared to reflect the effects of the Acquisitions as explained in the notes set out below that are directly attributable to the Acquisitions and not relating to future events or decisions and are factually supportable.

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

The Unaudited Pro Forma Financial Information has been compiled by the Directors for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed as at 30 June 2020 or any future date.

(I) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the
Enlarged Group as at 30 June 2020

	The Group as at 30 June 2020 RMB'000 Note 1	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020 RMB'000	
		Shuixi Target Group as at 30 June 2020 RMB'000 Note 2	Zhenlong Target Group as at 30 June 2020 RMB'000 Note 2	RMB'000 Note 3		RMB'000 Note 4
ASSETS						
Non-current assets						
Property, plant and equipment	2,618,909	–	–		2,618,909	
Right-of-use assets	4,029,069	–	–		4,029,069	
Investment properties	9,428,580	–	–		9,428,580	
Intangible assets	90,976	–	–		90,976	
Properties under development	11,614,298	2,380,344	2,000,744	46,637	16,042,023	
Interests in joint ventures	6,498,412	–	–		6,498,412	
Interests in associated entities	11,984,134	–	–		11,984,134	
Financial assets at fair value through other comprehensive income	1,227,266	–	–		1,227,266	
Derivative financial instruments	63,293	–	–		63,293	
Deferred tax assets	814,830	9,053	10,302		834,185	
	<u>48,369,767</u>	<u>2,389,397</u>	<u>2,011,046</u>		<u>52,816,847</u>	
Current assets						
Properties under development	121,394,144	1,613,057	3,667,089	52,761	126,727,051	
Properties held for sale	13,740,233	–	–		13,740,233	
Contract costs	473,587	–	–		473,587	
Prepayments for land use rights	4,974,226	–	–		4,974,226	
Trade receivables	99,970	–	–		99,970	
Other receivables, prepayments and deposits	12,806,380	82	3		12,806,465	
Prepaid taxation	3,099,498	–	–		3,099,498	
Derivative financial assets	166,607	–	–		166,607	
Charged bank deposits	8,260,469	–	–		8,260,469	
Cash and cash equivalents	21,900,590	19,925	19,997	(3,585,529)	(20,000)	18,334,983
	<u>186,915,704</u>	<u>1,633,064</u>	<u>3,687,089</u>		<u>188,683,089</u>	

	Pro forma adjustments					Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020 RMB'000
	The Group as at 30 June 2020 RMB'000 Note 1	Shuixi Target Group as at 30 June 2020 RMB'000 Note 2	Zhenlong Target Group as at 30 June 2020 RMB'000 Note 2	RMB'000 Note 3	RMB'000 Note 4	
LIABILITIES						
Current liabilities						
Trade and note payables	1,784,701	716,020	2,075,591			4,576,312
Contract liabilities	37,680,959	–	–			37,680,959
Other payables and accrued charges	48,830,036	50,066	63,909	(16,021)		48,927,990
Borrowings	10,649,632	–	–			10,649,632
Lease liabilities	140,680	–	–			140,680
Taxation payable	8,516,010	–	–			8,516,010
	<u>107,602,018</u>	<u>766,086</u>	<u>2,139,500</u>			<u>110,491,583</u>
Non-current liabilities						
Borrowings	60,776,875	–	–			60,776,875
Lease liabilities	525,044	–	–			525,044
Deferred tax liabilities	6,915,982	–	–			6,915,982
Deferred revenue	52,932	–	–			52,932
Other payables and accrued charges	1,486,773	2,736,507	2,891,476	(3,501,143)		3,613,613
	<u>69,757,606</u>	<u>2,736,507</u>	<u>2,891,476</u>			<u>71,884,446</u>
Net assets	<u>57,925,847</u>	<u>519,868</u>	<u>667,159</u>			<u>59,123,907</u>

Notes:

- The balances are extracted from the condensed consolidated balance sheet of the Group as at 30 June 2020 as set out in the Company's published 2020 interim result announcement on the interim financial information for the six-month ended 30 June 2020.
- The balances are extracted from the audited consolidated balance sheets of Shuixi Target Group and Zhenlong Target Group as at 30 June 2020 as set out in Appendix IIA and Appendix IIB to this Circular.

3. The Acquisitions

The Acquisitions represents the Shuixi Acquisition and Zhenlong Acquisition, which will be satisfied by cash consideration of RMB5,328 million from the Company to Guangzhou Yue Xiu. The cash consideration of the Acquisitions comprises:

- RMB68 million, being the Equity Considerations for the Shuixi Acquisition and Zhenlong Acquisition; and
- RMB5,260 million, being the Loan Consideration, which represents the principal amount of RMB5,144 million and accrued interest of RMB116 million calculated up to 30 October 2020 (being the date that is assumed to complete the Acquisition) pursuant to the Shuixi Transaction Documents and Zhenlong Transaction Documents. The interest is accrued at 6.5% per annum from the respective dates when such loans were made up to the completion of the Acquisitions.

	<i>Note</i>	<i>RMB'000</i>
Equity Considerations		68,365
Loan Consideration – principal		5,143,763
Loan Consideration – interest accrued up to 30 October 2020		115,788
		<u>5,327,916</u>
Total consideration as at 30 October 2020		<u>5,327,916</u>
Loan Consideration – principal		5,143,763
Less: Further Shuixi Target Holdco Loan	<i>(i)</i>	(375,142)
Further Zhenlong Target Holdco Loan	<i>(i)</i>	(1,087,458)
Shuixi Target Holdco Special Loan	<i>(i)</i>	(57,320)
Zhenlong Target Holdco Special Loan	<i>(i)</i>	(122,700)
		<u>3,501,143</u>
Loans provided by Guangzhou Yue Xiu as at 30 June 2020		<u>3,501,143</u>
Loan Consideration – interest accrued up to 30 October 2020		115,788
Less: Interest accrued from 1 July 2020 to 30 October 2020	<i>(i)</i>	(99,767)
		<u>16,021</u>
Interest accrued to Guangzhou Yue Xiu as at 30 June 2020		<u>16,021</u>
Loan Consideration as at 30 June 2020		<u>3,517,164</u>
Total consideration as at 30 June 2020		<u>3,585,529</u>

Notes:

- (i) Further Shuixi Target Holdco Loan, Further Zhenlong Target Holdco Loan, Shuixi Target Holdco Special Loan and Zhenlong Target Holdco Special Loan are loans that will be borrowed by the Target Group after 30 June 2020 and up to the expected completion date. For the purpose of Unaudited Pro Forma Financial Information and for illustrative purpose, the loans borrowed by the Target Group after 30 June 2020 and the interest accrued after 30 June 2020 shall be excluded.

The Shuixi Acquisition and Zhenlong Acquisition are inter-conditional.

Upon completion of the Acquisitions, the identifiable assets and liabilities of Shuixi Target Group and Zhenlong Target Group will be accounted for as acquisitions of assets and liabilities in accordance with the amendments to Hong Kong Financial Reporting Standard 3 (Revised) “Business Combination” (“HKFRS 3”) “Definition of Business”. For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Company has identified and recognised the individual identifiable assets acquired and liabilities assumed. The cost of the Acquisitions shall be allocated to individual identifiable assets and liabilities of Shuixi Target Group and Zhenlong Target Group on the basis of their relative fair values at the date of the Acquisitions, as follows:

	Fair value adjustment		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties under development (<i>Note (i)</i>)	9,661,234	99,398	9,760,632
Deferred tax assets	19,355		19,355
Other receivables, prepayments and deposits	85		85
Cash and cash equivalents	39,922		39,922
Trade and note payables	(2,791,611)		(2,791,611)
Other payables and accrued charges	(5,741,958)		(5,741,958)
Non-controlling interests	(1,169,355)	(48,705)	(1,218,060)
	<u>17,672</u>		<u>68,365</u>
Equity Considerations			<u>68,365</u>

Note:

- (i) For the purpose of Unaudited Pro Forma Financial Information, the Directors have identified the identifiable assets acquired and liabilities assumed. The initial costs recognised in properties under development of Shuixi Target Group and Zhenlong Target Group as at 30 June 2020 are allocated by reference to a valuation carried out by an independent valuer of the Company.

Since (i) the Loan Consideration, (ii) the identifiable assets and liabilities of the Target Group at the date of completion may substantially differ from those used in the preparation of this Unaudited Pro Forma Financial Information, the result relating to the Acquisitions at the date of completion may be substantially different from the corresponding amounts presented in this Unaudited Pro Forma Financial Information.

- The adjustment represents the estimated amounts regarding the legal and professional fees and other expenses incurred for the Acquisitions of approximately RMB20 million.
- Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2020.

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



羅兵咸永道

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

To the Directors of Yuexiu Property Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yuexiu Property Company Limited (the "Company") and its subsidiaries (collectively the "Group"), Guangzhou Quanxi Industrial Development Company Limited and its subsidiary and Guangzhou Quanlong Industrial Development Company Limited (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-5 of the Company's circular dated 23 September 2020, in connection with the acquisitions of the Target Group (the "Acquisitions") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-5.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisitions on the Group's financial position as at 30 June 2020 as if the Acquisitions had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's interim financial information for the six months ended 30 June 2020, on which the interim result announcement has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisitions at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

23 September 2020

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with their valuation as at 30 June 2020 of the Shuixi Target Holding Company



仲量聯行

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

23 September 2020

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

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the market value of the net assets value Guangzhou Quanxi Industrial Development Co., Ltd. (廣州泉西實業發展有限公司, the "Target Holding Company") as at 30 June 2020 (the "Valuation Date"). The report which follows is dated 23 September 2020 (the "Report Date").

The purpose of this valuation is for public disclosure reference.

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

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

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

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

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB33,145,000.

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

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

INTRODUCTION

This report has been prepared in accordance with instructions from Yuexiu Property Company Limited to express an independent opinion of the market value of the net assets value of Guangzhou Quanxi Industrial Development Co., Ltd. (廣州泉西實業發展有限公司, the “Target Holding Company”) as at 30 June 2020 (the “Valuation Date”). The report which follows is dated 23 September 2020 (the “Report Date”).

PURPOSE OF VALUATION

The purpose of this valuation is for public disclosure reference.

BASIS OF OPINION

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

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

BACKGROUND

Established in January 2020, Guangzhou Quanxi Industrial Development Co., Ltd. (廣州泉西實業發展有限公司, the “Target Holding Company”) was principally engaged in the development and operation of properties and provision of corporate management services. As of the Valuation Date, the Target Holding Company holds 51% equity interest in Guangzhou City Pinguan Property Development Co., Ltd. (廣州市品冠房地產開發有限公司, the “Target Company”).

Target Company was established on December 2019 and is principally engaged in the property development of Shuixi Project (水西項目, the “Property”), which is located at the west side of Shuixi Road, the southwest side of the intersection of Northern Second Ring Expressway and Guanghui Expressway in the Science City of Huangpu District, Guangzhou, Guangdong Province, PRC. The Property comprises a site area of approximately 81,620.00 sq.m and a gross floor area of 338,789 sq.m on which residential buildings and ancillary public facilities can be developed.

ASSUMPTIONS

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

- In valuing the Property, our valuation has been made on the assumption that the seller sells the property interests on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the Property interests.
- We have relied to a very considerable extent on the information given by the management and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.
- As at the Valuation Date, the relevant land use rights certificate of the Property has not been obtained. Therefore, we have attributed no commercial value to the Property. However, for reference purpose, the market value of the Property as at the Valuation Date hereof would be under the assumption that the relevant title certificates have been fully obtained by Guangzhou Pinguan and the Property could be freely transferred. Subsequent to the Valuation Date, the Target Company had obtained a Real Estate Title Certificate – Yue (2020) Guangzhou City Bu Dong Chan Quan No. 06860683.

APPROACH AND METHODOLOGY

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

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

Liabilities	Valuation Approach & Methodology
Trade payable; Other payables and accrued charges; Amount due to ultimate holding company (Current and Non-current); Amounts due to non-controlling interests (Current and Non-current); Amount due to direct holding company (Current and Non-current)	Based on values in audit report of the Target Holding Company and management accounts of the Target Company.
Deferred tax liability	Deferred tax liability is estimated based on increase in value from book value of the properties under development of the Target Company to the appraised value. 25% tax rate is applied in this exercise.

BOOK VALUES OF ASSETS AND LIABILITIES

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

Guangzhou Quanxi Industrial Development Co., Ltd.	Book Value <i>(RMB'000)</i>
<i>Total Assets</i>	1,689,479
Long-term equity investments	531,810
Cash and cash equivalents	10,012
Amount due from a subsidiary (Non-current)	1,107,435
Amount due from a subsidiary (Current)	40,222
<i>Total Liabilities</i>	1,680,571
Amount due to ultimate holding company (Current)	7,676
Amount due to ultimate holding company (Non-current)	1,672,501
Other payables and accrued charges	394
<i>Equity</i>	8,908

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

Guangzhou City Pinguan Property Development Co., Ltd.	Book Value <i>(RMB'000)</i>
<i>Total Assets</i>	3,752,520
Deferred income tax assets	9,053
Properties under development (Non-current)	2,224,783
Properties under development (Current)	1,508,689
Other receivables	82
Cash and cash equivalents	9,913
<i>Total Liabilities</i>	2,969,679
Trade payable	716,020
Other payables and accrued charges	3,351
Amount due to direct holding company (Current)	40,222
Amount due to direct holding company (Non-current)	1,107,435
Amounts due to non-controlling interests (Current)	38,645
Amounts due to non-controlling interests (Non-current)	1,064,006
<i>Equity</i>	782,841

**Notes:* the difference between the sum-up figure of the items belonging to Assets/Liabilities and the figure of the Assets/Liabilities is due to difference of rounding.

VALUATION COMMENTS

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

Commentary on the Impact of Novel Coronavirus COVID-19 on Valuation

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the financial projections/assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this Report.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB33,145,000. The details are as follows:

Guangzhou Quanxi Industrial Development Co., Ltd.	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	1,713,716
Long-term equity investments	556,047
Cash and cash equivalents	10,012
Amount due from a subsidiary (Non-current)	1,107,435
Amount due from a subsidiary (Current)	40,222
<i>Total Liabilities</i>	1,680,571
Amount due to ultimate holding company (Current)	7,676
Amount due to ultimate holding company (Non-current)	1,672,501
Other payables and accrued charges	394
<i>Net Assets (rounded to thousand)</i>	33,145

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

Guangzhou City Pinguan Property Development Co., Ltd.	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	4,162,449
Deferred income tax assets	9,053
Properties under development (Non-current)	4,143,400
Properties under development (Current)	
Other receivables	82
Cash and cash equivalents	9,913
<i>Total Liabilities</i>	3,072,161
Trade payable	716,020
Other payables and accrued charges	3,351
Amount due to direct holding company (Current)	40,222
Amount due to direct holding company (Non-current)	1,107,435
Amounts due to non-controlling interests (Current)	38,645
Amounts due to non-controlling interests (Non-current)	1,064,006
Deferred tax liability	102,482
<i>Net Assets</i>	1,090,288
<i>51% of Net Assets (rounded to thousand)</i>	556,047

**Note:* the difference between the sum-up figure of the items belonging to Assets/Liabilities and the figure of the Assets/Liabilities is due to difference of rounding.

LIMITING CONDITIONS

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

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

LIMITING CONDITIONS

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

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

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

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

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

VALUERS' PROFESSIONAL DECLARATION

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

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

Simon M.K. Chan

Executive Director

Hunter Z.W. He

Senior Director

Carol X.T. Huang

Senior Analyst

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with their valuation as at 30 June 2020 of the Zhenlong Target Holding Company



仲量聯行

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

23 September 2020

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

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the market value of the net assets value Guangzhou Quanlong Industrial Development Co., Ltd. (廣州泉龍實業發展有限公司, the "Target Holding Company") as at 30 June 2020 (the "Valuation Date"). The report which follows is dated 23 September 2020 (the "Report Date").

The purpose of this valuation is for public disclosure reference.

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

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

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

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

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB35,220,000.

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

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

INTRODUCTION

This report has been prepared in accordance with instructions from Yuexiu Property Company Limited to express an independent opinion of the market value of the net assets value of Guangzhou Quanlong Industrial Development Co., Ltd. (廣州泉龍實業發展有限公司, the “Target Holding Company”) as at 30 June 2020 (the “Valuation Date”). The report which follows is dated 23 September 2020 (the “Report Date”).

PURPOSE OF VALUATION

The purpose of this valuation is for public disclosure reference.

BASIS OF OPINION

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

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

BACKGROUND

Established in January 2020, Guangzhou Quanlong Industrial Development Co., Ltd. (廣州泉龍實業發展有限公司, the “Target Holding Company”) was principally engaged in the development and operation of properties and provision of corporate management services. As of the Valuation Date, the Target Holding Company holds 51% equity interest in Guangzhou City Pinhui Property Development Co., Ltd. (廣州市品輝房地產開發有限公司, the “Target Company”).

Target Company was established on December 2019 and is principally engaged in the property development of Zhenlong Project (鎮龍項目, the “Property”), which is located at the intersection of Zhenlong Town in Huangpu District and Zhongxin town of Zengcheng District, Guangzhou, Guangdong Province, PRC. The Property comprises a site area of approximately 242,175.00 sq.m and a gross floor area of 703,377 sq.m on which residential buildings and ancillary public facilities can be developed.

ASSUMPTIONS

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

- In valuing the Property, our valuation has been made on the assumption that the seller sells the property interests on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the Property interests.
- We have relied to a very considerable extent on the information given by the management and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.
- As at the Valuation Date, the relevant land use rights certificate of the Property has not been obtained. Therefore, we have attributed no commercial value to the Property. However, for reference purpose, the market value of the Property as at the Valuation Date hereof would be under the assumption that the relevant title certificates have been fully obtained by Guangzhou Pinhui and the Property could be freely transferred. Subsequent to the Valuation Date, the Target Company had obtained a Real Estate Title Certificate – Yue (2020) Guangzhou City Bu Dong Chan Quan No. 06860715.

APPROACH AND METHODOLOGY

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

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

Liabilities	Valuation Approach & Methodology
Trade payable; Other payables and accrued charges; Amount due to ultimate holding company (Current and Non-current); Amounts due to non-controlling interests (Current and Non-current); Amounts due to direct holding company (Current and Non-current)	Based on values in audit report of the Target Holding Company and management accounts of the Target Company.
Deferred tax liability	Deferred tax liability is estimated based on increase in value from book value of the properties under development of the Target Company to the appraised value. 25% tax rate is applied in this exercise.

BOOK VALUES OF ASSETS AND LIABILITIES

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

Guangzhou Quanlong Industrial Development Co., Ltd.	Book Value <i>(RMB'000)</i>
<i>Total Assets</i>	1,846,278
Long-term equity investments	685,370
Cash and cash equivalents	10,012
Amount due from a subsidiary (Non-current)	1,106,215
Amount due from a subsidiary (Current)	44,681
<i>Total Liabilities</i>	1,837,419
Amount due to ultimate holding company (Current)	8,345
Amount due to ultimate holding company (Non-current)	1,828,642
Other payables and accrued charges	432
<i>Equity</i>	8,859

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

Guangzhou City Pinhui Property Development Co., Ltd.	Book Value <i>(RMB'000)</i>
<i>Total Assets</i>	5,423,546
Deferred income tax assets	10,302
Properties under development (Non-current)	1,906,903
Properties under development (Current)	3,496,353
Other receivables	3
Cash and cash equivalents	9,985
<i>Total Liabilities</i>	4,344,453
Trade payable	2,075,591
Other payables and accrued charges	11,977
Amount due to direct holding company (Current)	44,681
Amount due to ultimate holding company (Current)	226
Amount due to direct holding company (Non-current)	1,106,215
Amounts due to non-controlling interests (Current)	42,929
Amounts due to non-controlling interests (Non-current)	1,062,834
<i>Equity</i>	1,079,093

VALUATION COMMENTS

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

Commentary on the Impact of Novel Coronavirus COVID-19 on Valuation

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the financial projections/assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this Report.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of the Target Holding Company as at the Valuation Date is RMB35,220,000. The details are as follows:

Guangzhou Quanlong Industrial Development Co., Ltd.	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	1,872,639
Long-term equity investments	711,731
Cash and cash equivalents	10,012
Amount due from a subsidiary (Non-current)	1,106,215
Amount due from a subsidiary (Current)	44,681
<i>Total Liabilities</i>	1,837,419
Amount due to ultimate holding company (Current)	8,345
Amount due to ultimate holding company (Non-current)	1,828,642
Other payables and accrued charges	432
<i>Net Assets (rounded to thousand)</i>	35,220

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

Guangzhou City Pinhui Property Development Co., Ltd.	Market Value <i>(RMB'000)</i>
<i>Total Assets</i>	5,845,490
Deferred income tax assets	10,302
Properties under development (Non-current)	5,825,200
Properties under development (Current)	
Other receivables	3
Cash and cash equivalents	9,985
<i>Total Liabilities</i>	4,449,941
Trade payable	2,075,591
Other payables and accrued charges	11,977
Amount due to direct holding company (Current)	44,681
Amount due to ultimate holding company (Current)	226
Amount due to direct holding company (Non-current)	1,106,215
Amounts due to non-controlling interests (Current)	42,929
Amounts due to non-controlling interests (Non-current)	1,062,834
Deferred tax liability	105,486
<i>Net Assets</i>	1,395,549
<i>51% of Net Assets (rounded to thousand)</i>	711,731

*Note: the difference between the sum-up figure of the items belonging to Liabilities and the figure of the Liabilities is due to difference of rounding.

LIMITING CONDITIONS

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

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

LIMITING CONDITIONS

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

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

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

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

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

VALUERS' PROFESSIONAL DECLARATION

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

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

Simon M.K. Chan

Executive Director

Hunter Z.W. He

Senior Director

Carol X.T. Huang

Senior Analyst

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2020 of the property interests held by the Target Group.



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

23 September 2020

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

Dear Sirs,

In accordance with the instructions of Yuexiu Property Company Limited (the “**Company**”) to value the property interests contracted to be acquired by Guangzhou Quanxi Industrial Development Company Limited (廣州泉西實業發展有限公司) and Guangzhou Quanlong Industrial Development Company Limited (廣州泉龍實業發展有限公司) (hereinafter together referred to as the “**Target Holding Companies**”) and its subsidiaries (hereinafter together referred to as the “**Target Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interests as at 30 June 2020 (the “**valuation date**”).

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

For the property interests which were contracted to be acquired by the Target Group in the PRC as at the valuation date, the Target Group has entered into agreements with the relevant government authorities. Since the Target Group has not yet obtained the Real Estate Title Certificates of the subject properties and the payment of the land premium has not yet been fully settled as at the valuation date, we have attributed no commercial value to the property interests.

However, for reference purpose, we have assessed the market value for reference of the property interests which were contracted to be acquired by the Target Group in the PRC as at the valuation date by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

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

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

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

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

We have been shown copies of title documents including State-owned Land Use Rights Grant Contracts and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – King & Wood Mallesons, concerning the validity of the property interests in the PRC.

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

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Property inspection was carried out in July 2020 by Ms. Queenie Lu and Ms. Diana Yang. Ms. Queenie Lu is a Member of RICS, China Real Estate Appraiser and China Land Appraiser, she has more than 12 years' experience in the valuation of properties in the PRC. Ms. Diana Yang is a China Real Estate Appraiser and has more than 4 years' experience in the valuation of properties in the PRC.

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

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

We are instructed to provide our opinion of values as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11th March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this particular market sector remains stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the properties under frequent review.

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

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

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests contracted to be acquired by the Target Group in the PRC

No.	Property	Market value	Market value
		in existing state as at 30 June 2020 RMB	for reference (see note 2) in existing state as at 30 June 2020 RMB
1.	Shuixi Project located at the western side of Shuixi Road, the southwestern side of the junction of Northern Second Ring Expressway and Guanghui Expressway Huangpu District Guangzhou City Guangdong Province The PRC (水西項目)	No commercial value (see note 1 below)	4,143,400,000
2.	Zhenlong Project located at the junction of Zhenlong Town Huangpu District and Zhongxin Town Zengcheng District Guangzhou City Guangdong Province The PRC (鎮龍項目)	No commercial value (see note 1 below)	5,825,200,000
Total:		Nil	9,968,600,000

Note:

- As at the valuation date, the relevant real estate title certificates (for land) of property nos. 1 & 2 have not been obtained by the Target Group. Therefore, we have attributed no commercial value to such properties.
- For reference purpose, we have opined on the market value of the properties on the assumptions that the relevant title certificates have been obtained and such properties could be freely transferred. Under these assumptions, we are of the opinion that the market value for reference of property nos. 1 & 2 as at the valuation date would be RMB4,143,400,000 and RMB5,825,200,000 respectively.

VALUATION CERTIFICATE

Property interests contracted to be acquired by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020 RMB	Market value for reference in existing state as at 30 June 2020 RMB
1.	Shuixi Project located at the western side of Shuixi Road, the southwestern side of the junction of Northern Second Ring Expressway and Guanghui Expressway Huangpu District Guangzhou City Guangdong Province The PRC (水西項目)	Shuixi Project comprises a parcel of land with a site area of approximately 81,620 sq.m., which will be developed into a residential and commercial development. The construction of the property had not been commenced as at the valuation date. As advised by the Company and the Target Group, the development of Shuixi Project will be completed in 2023. Upon completion, the development of the property will have a total planned gross floor area of approximately 338,789 sq.m. The details are set out as below:	As at the valuation date, the property was bare land.	No commercial value (see note 6)	4,143,400,000
		Usage	Planned Gross Floor Area (sq.m.)		
		Residential	190,855		
		Retail	7,010		
		Ancillary	40,328		
		Basement (inclusive of 2,342 car parking spaces)	100,596		
		Total:	<u>338,789</u>		

According to the State-owned Land Use Rights Grant Contract, the plot ratio accountable gross floor area of the property is approximately 224,455 sq.m.

As at the valuation date, the land use rights of the property would be contracted to be granted for a term of 70 years expiring on 19 March 2090 for residential use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 440112-2019-000002 dated 23 December 2019 and a Revision Contract dated 6 January 2020, the land use rights of a parcel of land with a site area of approximately 81,620 sq.m. were contracted to be granted to Guangzhou City Pinguan Property Development Co., Ltd. (廣州市品冠房地產開發有限公司, “**Shuixi Target Company**”, a 51%-owned subsidiary of the Target Holding Companies). The total land premium was RMB3,580,060,000. The plot ratio of the property is 2.75.
2. Pursuant to a Construction Land Planning Permit – Di Zi Di Sui Gui Hua Zi Yuan Di Zheng (2020) No. 51, permission towards the planning of a parcel of land with a site area of approximately 87,299 sq.m. has been granted to Shuixi Target Company.
3. Pursuant to 6 Construction Work Planning Permits – Jian Zi Di Nos. 440112202001463, 440112202001437, 440112202001311, 440112202001421, 440112202001312 and 440112202001440 in favour of Shuixi Target Company, portions of the property with a total gross floor area of approximately 30,929.80 sq.m. have been approved for construction.
4. Pursuant to a Construction Work Commencement Permit – No. 440112202006170000 in favour of Shuixi Target Company, permissions by the relevant local authority were given to commence the construction of A1 and A2 residential parts of the property with a total gross floor area of approximately 50,133.54 sq.m.
5. Pursuant to the State-owned Land Use Rights Grant Contract as mentioned in note 1, Shuixi Target Company must self-maintain the residential area of approximately 10,100 sq.m. for lease, and does not allow to split sell it.
6. As at the valuation date, the relevant real estate title certificate (for land) of the property has not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB4,143,400,000, assuming that the relevant title certificate has been obtained and the property could be freely transferred.
7. Subsequent to the valuation date, Shuixi Target Company has obtained a Real Estate Title Certificate – Yue (2020) Guangzhou City Bu Dong Chan Quan No. 06860683. Pursuant to this Real Estate Title Certificate, the land use rights of the property with a site area of approximately 81,620 sq.m. have been granted to Shuixi Target Company for a term of 70 years expiring on 19 March 2090 for residential use.
8. Our valuation has been made on the following basis and analysis:

In undertaking our valuation of the property for reference purpose as mentioned in note 6, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB15,700 to RMB16,700 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characters between the comparable properties and the property to arrive at our assumed accommodation value.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser that Shuixi Target Company will be legally and validly in possession of the land use rights of the property and will be the sole legal user of the land use rights of the property and Shuixi Target Company has the rights to legally occupy, use, receive income from and dispose of the property after all the land premium has been fully settled and the title certificate has been obtained.
10. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Portion
e. Construction Work Commencement Permit	Portion
f. Pre-sale Permit	N/A
g. Construction Work Completion and Inspection Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in	Market value
				existing state as at 30 June 2020 RMB	for reference in existing state as at 30 June 2020 RMB

2.	Zhenlong Project located at the junction of Zhenlong Town Huangpu District and Zhongxin Town Zengcheng District Guangzhou City Guangdong Province The PRC (鎮龍項目)	Zhenlong Project comprises a parcel of land with a site area of approximately 242,175 sq.m., which will be developed into a residential and commercial development. The construction of the property had not been commenced as at the valuation date. As advised by the Company and the Target Group, the development of Zhenlong Project will be completed in 2025. Upon completion, the development of the property will have a total planned gross floor area of approximately 703,377 sq.m. The details are set out as below:	As at the valuation date, the property was bare land.	No commercial value (see note 6)	5,825,200,000
----	--	--	---	-------------------------------------	---------------

Usage	Planned Gross Floor Area (sq.m.)
Residential	458,169
Retail	14,661
Ancillary	54,665
Basement (inclusive of 5,295 car parking spaces)	175,882
Total:	703,377

According to the State-owned Land Use Rights Grant Contract, the plot ratio accountable gross floor area of the property is approximately 508,568 sq.m.

As at the valuation date, the land use rights of the property would be contracted to be granted for a term of 70 years for residential use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 440112-2019-000003 dated 23 December 2019 and a Revision Contract dated 6 January 2020, the land use rights of a parcel of land with a site area of approximately 242,175 sq.m. were contracted to be granted to Guangzhou City Pinhui Property Development Co., Ltd. (廣州市品輝房地產開發有限公司, “**Zhenlong Target Company**”, a 51%-owned subsidiary of the Target Holding Companies). The total land premium was RMB5,188,970,000. The plot ratio of the property is 2.1.
2. Pursuant to a Construction Land Planning Permit – Sui Gui Hua Zi Yuan Di Zheng (2020) No. 68, permission towards the planning of a parcel of land with a site area of approximately 242,175 sq.m. has been granted to Zhenlong Target Company.
3. Pursuant to 6 Construction Work Planning Permits – Sui Gui Hua Zi Yuan Jian Zheng Nos. (2020)2431, (2020)2657, (2020)2682, (2020)2731, (2020)2736 and (2020)2737 in favour of Zhenlong Target Company, portions of the property with a total gross floor area of approximately 65,245.95 sq.m. have been approved for construction.
4. Pursuant to 2 Construction Work Commencement Permits – Nos. 440112202006230301 and 440112202006180201 in favour of Zhenlong Target Company, permissions by the relevant local authority were given to commence the construction of portions of the property with a total gross floor area of approximately 62,427.3 sq.m.
5. Pursuant to the State-owned Land Use Rights Grant Contract as mentioned in note 1, Zhenlong Target Company must self-maintain the residential area of approximately 23,000 sq.m. for lease, and does not allow to split sell it.
6. As at the valuation date, the relevant real estate title certificate (for land) of the property has not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB5,825,200,000, assuming that the relevant title certificate has been obtained and the property could be freely transferred.
7. Subsequent to the valuation date, Zhenlong Target Company has obtained a Real Estate Title Certificate – Yue (2020) Guangzhou City Bu Dong Chan Quan No. 06860715. Pursuant to this Real Estate Title Certificate, the land use rights of the property with a site area of approximately 242,175 sq.m. have been granted to Zhenlong Target Company for a term of 70 years expiring on 19 March 2090 for residential use.
8. Our valuation has been made on the following basis and analysis:

In undertaking our valuation of the property for reference purpose as mentioned in note 6, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB10,400 to RMB11,600 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characters between the comparable properties and the property to arrive at our assumed accommodation value.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser that Zhenlong Target Company will be legally and validly in possession of the land use rights of the property and will be the sole legal user of the land use rights of the property and Zhenlong Target Company has the rights to legally occupy, use, receive income from and dispose of the property after all the land premium has been fully settled and the title certificate has been obtained.
10. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Portion
e. Construction Work Commencement Permit	Portion
f. Pre-sale Permit	N/A
g. Construction Work Completion and Inspection Table	N/A

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors/chief executive of the Company

As at Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its other associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“**Model Code**”) were as follows:

Long positions in the shares and underlying shares

Name of Director	Capacity in which interests are held	Number of Shares	% of the total number of issued Shares as at the Latest Practicable Date
Lin Zhaoyuan (<i>Note 1</i>)	Beneficial owner/ Beneficiary of a trust	5,543,319	0.036
Lin Feng (<i>Note 2</i>)	Beneficial owner/ Beneficiary of a trust/Spouse interest	7,242,234	0.047
Li Feng	Beneficial owner	172,900	0.001
Liu Yan	Beneficial owner	17,000	0.0001
Yu Fat Joseph	Beneficial owner	4,000,000	0.026
Lee Ka Lun	Beneficial owner	3,200,000	0.021
Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.031

Note 1: Mr Lin Zhaoyuan is interested in 5,543,319 Shares, out of which 2,392,222 Shares are owned by him as beneficial owner, 3,151,097 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management.

Note 2: Mr Lin Feng is interested in 7,242,234 Shares, out of which 3,987,381 Shares are owned by him as beneficial owner, 3,154,853 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management and 100,000 Shares are held by his spouse.

Long positions in the shares and underlying shares of associated corporations

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of Shares in associated corporation	% of the total number of issued Shares in associated corporation as at the Latest Practicable Date
Lin Zhaoyuan	Yuexiu Transport Infrastructure Limited	Beneficial owner	120	0.00001
Liu Yan	Yuexiu Transport Infrastructure Limited	Beneficial owner	485	0.00003
Lau Hon Chuen Ambrose	Yuexiu Transport Infrastructure Limited	Beneficial owner	195,720	0.012

Save as disclosed herein, as at Latest Practicable Date, none of the directors 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 other associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company Pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

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

Long position in the shares and underlying shares

Name of Director	Capacity in which interests are held	Number of Shares	% of the total number of issued Shares as at the Latest Practicable Date
GZYY (Note 1)	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
YXE	Interests of controlled corporations	6,159,447,662 (Long position)	39.78
Guangzhou Metro (Note 2)	Interests of controlled corporations	3,080,973,807 (Long position)	19.90

Note 1: Pursuant to the SFO as at Latest Practicable Date, GZYY was deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long Position in Shares
YXE	6,159,447,662
Superb Master Ltd. (<i>Note i</i>)	401,989,620
Bosworth International Limited (“ Bosworth ”) (<i>Note i</i>)	4,202,934,153
Novena Pacific Limited (“ Novena ”) (<i>Note i</i>)	978,065,907
Morrison Pacific Limited (“ Morrison ”) (<i>Note i</i>)	273,266,721
Greenwood Pacific Limited (“ Greenwood ”) (<i>Note i</i>)	234,689,273
Goldstock International Limited (“ Goldstock ”) (<i>Note i</i>)	60,918,133
Yue Xiu Finance Company Limited (<i>Note i</i>)	7,583,855

- (i) Superb Master Ltd., Bosworth, Novena, Morrison, Greenwood, Goldstock and Yue Xiu Finance Company Limited are wholly-owned by YXE.

Note 2: Pursuant to the SFO as at Latest Practicable Date, Guangzhou Metro was deemed to be interested in 3,080,973,807 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long Position in Shares
Guangzhou Metro Investment Finance (HK) Limited (<i>Note i</i>)	3,080,973,807

- (i) 3,080,973,807 Shares were held by Guangzhou Metro Investment Finance (HK) Limited, which was wholly-owned by Guangzhou Metro.

Save as disclosed herein, as at Latest Practicable Date, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

3. DIRECTORS’ SERVICE CONTRACTS

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

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

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Interests in contracts

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

6. LITIGATION

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

7. MATERIAL CONTRACTS OF THE GROUP

During the two year immediately preceding Latest Practicable Date and up to and including the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Group and are or may be material:

- (1) the Transaction Documents;
- (2) a set of agreements dated 22 November 2019 for the disposal of 100% equity interest in 佛山市南海區越秀地產有限公司 (Foshan Nanhai Yuexiu Property Company Limited*) (“**Nanhai Yuexiu**”), namely,
 - (a) the equity transfer agreement entered into among 廣州悅錦諮詢有限責任公司 (Guangzhou Yuejin Consultancy Limited Liability Company*) (as purchaser) (“**Yuejin**”) and Extra Act Limited (a wholly-owned subsidiary of the Company) (as seller) (“**Extra Act**”) in relation to the transfer of 100% equity interest in Nanhai Yuexiu for a consideration of RMB355,361,000; and
 - (b) the loan arrangement agreement entered into among, Yuejin, Extra Act, Nanhai Yuexiu and GCCD in relation to the refinancing of the loan amount owed by Nanhai Yuexiu to GCCD;

- (3) the master agreement dated 23 September 2019 entered into between the Company and Chong Hing Bank Limited (“**CHB**”) in relation to deposits of whatever duration and nature and any other bank balances maintained by the Group (or any member of the Group) with the CHB and its subsidiaries from time to time;
- (4) a set of agreements dated 10 September 2019 for the acquisitions of a 51% interest in two new metro projects, namely,
- for the Luogang project:
 - (a) the equity transfer agreements entered into between 東緯有限公司 (Easyway Incorporation Limited) (a wholly-owned subsidiary of GZYX) (“**Easyway**”) (as seller) and 廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co., Ltd.*) (a company which is indirectly owned as to 95.48% by the Company) (“**Nansha**”) (as purchaser) for the acquisition of the entire equity interest in 廣州東越實業發展有限公司 (Guangzhou Dongyue Industrial Development Company Limited*) (the “**Luogang Target Holding Company**”) (which holds the 51% equity interests in 廣州市品悅房地產開發有限公司 (Guangzhou City Pinyue Property Development Company Limited*) (the “**Luogang Target Company**”)) for a consideration of RMB71,642,000;
 - (b) the loan assignment agreements entered into among GZYX (as assignor), Nansha (as assignee) and Luogang Target Company (as debtor) in respect of:
 - (1) the interest bearing loan in the principal amount of RMB4,005,102,573 plus the accrued interest owed by Luogang Target Company to GZYX; and
 - (2) the non-interest bearing loan owed by Luogang Target Company to GZYX in the principal amount of RMB85,707,785;
 - (c) the loan assignment agreements entered into among GZYX (as assignor), Nansha (as assignee) and Luogang Target Holding Company (as debtor) in respect of:
 - (1) the interest bearing loan in the principal amount of RMB579,770,856 plus the accrued interest owed by Luogang Target Holding Company to GZYX; and
 - (2) the non-interest bearing loan owed by Luogang Target Holding Company to GZYX in the principal amount of RMB590,063;

- for the Chen Tougang project:
 - (a) the equity transfer agreements entered into between Easyway (as seller) and Nansha (as purchaser) for the acquisition of the entire equity interest in 廣州緯信實業發展有限公司 (Guangzhou Weixin Industrial Development Company Limited*) (the “**Chen Tougang Target Holding Company**”) (which holds the 51% equity interests in 廣州市品薈房地產開發有限公司 (Guangzhou City Pinhui Property Development Company Limited*) (“**Chen Tougang Target Company**”)) for a consideration of RMB56,403,000;
 - (b) the loan assignment agreements entered into among GZYY (as assignor), Nansha (as assignee) and Chen Tougang Target Company (as debtor) in respect of:
 - (1) the interest bearing loan in the principal amount of RMB3,248,026,800 plus the accrued interest owed by Chen Tougang Target Company to GZYY; and
 - (2) the non-interest bearing loan owed by Chen Tougang Target Company to GZYY in the principal amount of RMB70,596,771;
 - (c) the loan assignment agreements entered into among GZYY (as assignor), Nansha (as assignee) and Chen Tougang Target Holding Company (as debtor) in respect of: (1) the interest bearing loan in the principal amount of RMB540,279,789 plus the accrued interest owed by Chen Tougang Target Holding Company to GZYY; and (2) the non-interest bearing loan owed by Chen Tougang Target Holding Company to GZYY in the principal amount of RMB340,150;
- (5) the subscription agreement dated 27 February 2019 entered into between the Company and Guangzhou Metro Investment Finance (HK) Limited, in relation to the subscription of 3,080,973,807 Shares by Guangzhou Metro Investment Finance (HK) Limited;

- (6) a set of agreements dated 27 February 2019 for the acquisitions of an 86% interest in 廣州市品秀房地產開發有限公司 (Guangzhou City Pinxiu Property Development Company Limited*) (“**Pinxiu**”), namely,
- (a) the 51% equity transfer agreement entered into among Easyway (as seller), GZ YX, 廣州雲湖房地產開發有限公司 (Guangzhou Yunhu Real Estate Development Co., Ltd.*) (a subsidiary of 廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.), a company indirectly owned as to 95% by the Company and 5% by GZ YX) (“**GZ Yunhu**”) (as purchaser) and Pinxiu (as the target company) in relation to the transfer of 51% equity interest in Pinxiu for a consideration of RMB10,413,000;
 - (b) the 51% loan assignment agreements entered into among GZ YX (as assignor), GZ Yunhu (as assignee) and each of: (i) 廣州東曉實業發展有限公司 (Guangzhou Dongxiao Industrial Development Company Limited*) (“**GZ Dongxiao**”) (as debtor) in relation to the assignment of loan in the principal amount of RMB671,500,000 and (ii) Pinxiu (as debtor) in relation to the assignment loan in the principal amount of RMB6,954,780,801 and the refinancing of loans in the amount of RMB102,000,000, in each case plus the accrued interest, respectively;
 - (c) the initial cost amount agreement entered into among Easyway, GZ Yunhu (as payer) and GZ YX (as payee) for a consideration of approximately RMB259,448,030 to cover the cost of capital attributable to the amount advanced by GZ YX to Guangzhou Metro and other incidental costs;
 - (d) the 35% equity transfer agreement entered into among Guangzhou Metro (as seller), GZ Yunhu (as purchaser), GZ Dongxiao and Pinxiu in relation to the transfer of 35% equity interest in Pinxiu for a consideration of RMB479,988,000;
 - (e) the 35% loan assignment agreement entered into among Guangzhou Metro (as assignor), GZ Yunhu (as loan assignee) and Pinxiu (as debtor) in relation to the assignment of loan in the principal amount of RMB4,772,888,785 and the refinancing of loans in the amount of RMB70,000,000, in each case plus the accrued interest; and
- (7) the equity transfer agreement dated 21 December 2018 entered into between 慶和投資有限公司 (Kingwell Investment Ltd.) (an indirectly wholly-owned subsidiary of the Company) as seller, and 廣州嘉創經濟信息諮詢有限公司 (Guangzhou Jiachuang Economic Information Consulting Co., Ltd.*) (a wholly-owned subsidiary of 廣州明睿一號實業投資合夥企業(有限合夥) (Guangzhou Ming Rui No. I Business Investment Enterprise (Limited Partnership)*), the general partner is 廣州越秀中聯股權投資基金管理有限公司 (Guangzhou Yuexiu United Equity Investment Fund Management Company Limited*), which is in turn indirectly owned as to 45% by the Company), as purchaser, in relation to the disposal of 77.79% equity interest in 廣州市越匯房地產有限公司 (Guangzhou Yuehui Property Co., Ltd.*) at a consideration of RMB2,417,500,000.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up to, up to and including the Latest Practicable Date.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

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

Name	Qualification
Yu Ming Investment Management Limited	a corporation licensed under the SFO to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
PricewaterhouseCoopers	Certified Public Accountants, Registered Public Interest Entity Auditor
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer and independent valuer

As at the Latest Practicable Date, none of Yu Ming Investment Management Limited, PricewaterhouseCoopers or Jones Lang LaSalle Corporate Appraisal and Advisory Limited had any shareholding, directly or indirectly in any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did any of them have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (9:00 a.m. to 5:30 p.m.) from Monday to Friday (both days inclusive) at the registered office of the Company at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the GM.

- (a) the articles of association of the Company;
- (b) each of the material contracts referred to in the paragraph headed “Material contracts of the Group” in this Appendix VI;
- (c) annual reports of the Company for the years ended 31 December 2017, 2018 and 2019, respectively;
- (d) interim results announcement of the Company for the six months ended 30 June 2020;
- (e) the letter from the Board, the text of which is set out on pages 9 to 29 of this circular;
- (f) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 30 of this circular;
- (g) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 63 of this circular;
- (h) the accountant’s reports from PricewaterhouseCoopers in respect of the financial information of the Target Group, the text of which are set out in Appendix IIA and Appendix IIB to this circular;
- (i) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (j) the valuation report from the Independent Valuer in respect of the valuation on the Shuixi Target Holding Company as set out in Appendix VA of this circular;
- (k) the valuation report from the Independent Valuer in respect of the valuation on the Zhenlong Target Holding Company as set out in Appendix VB of this circular;
- (l) the valuation report from the Independent Valuer in respect of the valuation on the New Metro Property Projects as set out in Appendix VC of this circular;

- (m) the written consents referred to in the paragraph headed “Experts’ Qualifications and Consents” in this Appendix VI; and
- (n) this circular.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yu Tat Fung, a Solicitor of the High Court of Hong Kong.
- (b) The registered office of the Company is located at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (c) The share registrar of the Company is Tricor Abacus Limited, which is located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The authorized representatives of the Company are Ms. Chen Jing, executive Director and Mr. Yu Tat Fung, company secretary.
- (e) The auditor of the Company is PricewaterhouseCoopers, which is located at 22/F, Prince’s Building, Central, Hong Kong.
- (f) The English texts of this circular shall prevail over the Chinese texts.

* *For identification purpose only*

NOTICE OF GENERAL MEETING



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the “**Meeting**”) of Yuexiu Property Company Limited (the “**Company**”) will be held at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 13 October 2020 at 10:30 a.m. for the purpose of considering, if thought fit, passing, with or without modification, the following resolutions. Words and expressions that are not expressly defined in this notice of general meeting shall bear the same meaning as that defined in the shareholder circular dated 23 September 2020 (the “**Circular**”).

ORDINARY RESOLUTION

“THAT:

- (a) each of the Transaction Documents and the consummation of transactions contemplated thereunder (namely, the Acquisitions) as more particularly described in the Circular and on the terms and conditions set out in the Transaction Documents be hereby approved, ratified and confirmed;
- (b) any one Director be and is hereby authorized, for an on behalf of the Company, to complete and do all such acts or things (including signing and executing all such documents, instruments and agreements as may be required, including under seal where applicable) as the Company, such Director or, as the case may be, the Board may consider necessary, desirable or expedient or in the interest of the Company to give effect to the terms of the matters contemplated under the Transaction Documents and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.”

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

Hong Kong, 23 September 2020

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

NOTICE OF GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorized to sign the same.
- (3) In order to be valid, the completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof (as the case may be).
- (4) Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the registered of members of the Company in respect of the share(s) shall be accepted to the exclusion of the votes of the other joint registered holders.
- (6) The registered of members of the Company will be closed from Friday, 9 October 2020 to Tuesday, 13 October 2020, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the general meeting of the Company to held on Tuesday, 13 October 2020, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 8 October 2020.
- (7) In consideration of the continuing risk posed by the coronavirus disease (COVID-19) and to manage the potential health risks of persons attending the Meeting, the Company will implement certain precautionary measures at the Meeting. Please refer to the Circular for further details.