THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Skyfame Realty (Holdings) Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE 70% EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OF YONGZHOU TIANYU REAL ESTATE DEVELOPMENT COMPANY LIMITED AND NOTICE OF SGM

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

上銀國際有限公司
BOSC International Company Limited

A letter from the board of directors of Skyfame Realty (Holdings) Limited is set out on pages 1 to 11 of this circular.

A letter from the independent board committee of Skyfame Realty (Holdings) Limited is set out on page 12 of this circular. A letter of advice from BOSC International Company Limited, the independent financial adviser to the independent board committee and independent shareholders of Skyfame Realty (Holdings) Limited, is set out on pages 13 to 33 of this circular.

A notice convening the special general meeting of Skyfame Realty (Holdings) Limited to be held at Empire Room 1, 1st Floor, Empire Hotel Hong Kong • Wanchai, 33 Hennessy Road, Wanchai, Hong Kong at 3:00 p.m. on Monday, 14 November 2016 is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you intend to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) if you so wish.

26 October 2016

CONTENTS

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

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	Skyfame Realty (Holdings) Limited (stock code: 00059), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion Date"	date of completion of the Disposal Agreement pursuant to the terms thereof
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Interest and the Sale Loan by Yu Jun according to the terms and conditions under the Disposal Agreement
"Disposal Agreement"	the conditional equity and loan transfer agreement dated 27 September 2016 entered into between GZ Tianyu (as purchaser) and Yu Jun (as vendor) in relation to the conditional sale and purchase of the Sale Interest and the Sale Loan
"Equity Transfer"	the transfer of the Sale Interest from Yu Jun to GZ Tianyu pursuant to the terms and conditions under the Disposal Agreement
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"GZ Tianyu"	廣州市天譽房地產開發有限公司 (Guangzhou Tianyu Real Estate Development Company Limited*), a company established in the PRC with limited liability of which Mr. Yu is a controlling shareholder
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent committee of the Board, comprising all independent non-executive Directors, established by the Board to advise the Independent Shareholders regarding the Disposal Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "BOSC International"	BOSC International Company Limited, a licensed corporation to carry on 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, being the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders regarding the Disposal Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Mr. Yu and his associates
"Latest Practicable Date"	20 October 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Yu"	Mr. Yu Pan, the chairman, an executive Director and the controlling shareholder of the Company and the controlling shareholder of GZ Tianyu
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remaining Group"	the Group immediately after completion of the Disposal
"Sale Interest"	the 70% equity interest in YZ Tianyu held by Yu Jun as at the date of the Disposal Agreement
"Sale Loan"	the shareholder's loan due from YZ Tianyu to Yu Jun
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"SGM"	the special general meeting of the Company to be convened to consider, if thought fit, the approval of, among other things, the Disposal Agreement and transactions contemplated thereunder

"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Unsold Properties"	the properties developed, held and yet to be sold and delivered by YZ Tianyu under the YZ Tianyu Project
"Yu Jun"	廣州譽浚諮詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited*), a company established in the PRC with limited liabilities and an indirect wholly-owned subsidiary of the Company
"YZ Tianyu"	永州市天譽房地產開發有限公司 (Yongzhou Tianyu Real Estate Development Company Limited*), a company established in the PRC with limited liability and an indirect 70%-owned subsidiary of the Company
"YZ Tianyu Project"	the property development project, named as "Tianyu-huafu" ("天譽•華府"), undertaken by YZ Tianyu and situated in the junction of Yangming Avenue, Xiangkouguan Road and Lizhi Road, Lingling District, Yongzhou, Hunan Province, the PRC
"YZ Tianyu Property Management"	Yongzhou Lingling branch of Guangzhou Tianyu Property Management Company Limited, an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square meters
"%" or "per cent."	percentage or per centum

* *For identification purposes only*

天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

Executive Directors:
YU Pan *(Chairman and Chief Executive Officer)*
WEN Xiaobing *(Deputy Chief Executive Officer)*
JIANG Jing
WONG Lok

Non-executive Director:
ZHONG Guoxing

Independent Non-executive Directors:
CHOY Shu Kwan
CHENG Wing Keung, Raymond
CHUNG Lai Fong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of Business in the PRC:
32nd to 33rd Floors of HNA Tower
8 Linhe Zhong Road, Tianhe District
Guangzhou, Guangdong Province
the PRC

Principal place of business in Hong Kong:
Unit 1401, 14th Floor
AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

26 October 2016

To the Shareholders,

Dear Sirs or Madams

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE 70% EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OF YONGZHOU TIANYU REAL ESTATE DEVELOPMENT COMPANY LIMITED

INTRODUCTION

The Board announced that after trading hours of the Stock Exchange on 27 September 2016, Yu Jun (as the vendor) and GZ Tianyu (as the purchaser) entered into the Disposal Agreement pursuant to which, among other things and subject to the terms and conditions set out in the Disposal Agreement, GZ Tianyu shall acquire the Sale Interest and the Sale Loan from Yu Jun at a consideration of, subject to adjustments, RMB55,023,795 and RMB224,619,978, respectively.

The Sale Interest represents the 70% equity interest in YZ Tianyu held by Yu Jun and the Sale Loan represents the shareholder's loan owed by YZ Tianyu to Yu Jun. YZ Tianyu is principally engaged in property development in the PRC, namely the YZ Tianyu Project, and its principal asset is the Unsold Properties.

Subsequent to the obtaining of its first pre-sale permit in August 2012, the Group has commenced the pre-sale of the YZ Tianyu Project and has sold and delivered a total GFA of approximately 136,000 sq.m. up to 31 August 2016 (representing approximately 73.1% of the total saleable GFA of the YZ Tianyu Project). The properties sold under the YZ Tianyu Project were mainly high-rise apartments and approximately 80% of the GFA of the villas and retail properties under the YZ Tianyu Project were yet to be sold and delivered as at 31 August 2016.

The Disposal constitutes a very substantial disposal and a connected transaction for the Company under Chapter 14 and Chapter 14A, respectively, of the Listing Rules. The Disposal Agreement and the transactions contemplated thereunder are therefore subject to the approval by the Independent Shareholders at the SGM, at which GZ Tianyu and its associates (including Mr. Yu) shall abstain from voting, by way of poll.

The purpose of this circular is to provide you with, among other things, details of the Disposal Agreement, information on YZ Tianyu, the letter from the Independent Board Committee regarding the Disposal, the letter of advice from BOSC International to the Independent Board Committee and Independent Shareholders regarding the Disposal, the financial information of the Group and YZ Tianyu, the unaudited pro forma financial information of the Remaining Group, the valuation report on the Unsold Properties, the notice of the SGM and other information required under the Listing Rules.

THE DISPOSAL AGREEMENT

Date	:	27 September 2016
Parties	:	Yu Jun, as vendor GZ Tianyu, as purchaser

GZ Tianyu is principally engaged in property development in the PRC of which Mr. Yu is its controlling shareholder. Mr. Yu is also the controlling shareholder, chairman and an executive Director of the Company.

Subject assets to be disposed

The assets to be disposed by Yu Jun pursuant to the Disposal Agreement comprise the Sale Interest and the Sale Loan.

The Sale Interest represents the 70% equity interest in YZ Tianyu held by Yu Jun and the Sale Loan represents the shareholder's loan owed by YZ Tianyu to Yu Jun. As at 30 June 2016, the Sale Loan amounted to RMB224,619,978.

Please refer to the paragraph headed "Information of YZ Tianyu" below for further details of YZ Tianyu.

Consideration

The consideration for the disposal of the Sale Interest by Yu Jun to GZ Tianyu is RMB55,023,795 (subject to adjustment as set out below), and the consideration for the transfer of the Sale Loan from Yu Jun to GZ Tianyu is RMB224,619,978 (which equals to the amount of Sale Loan as at 30 June 2016 and subject to adjustment as set out below) (collectively the "**Total Consideration**"). Yu Jun and GZ Tianyu has also agreed that the amount of Sale Loan will not be increased by more than RMB40 million, as compared to RMB224,619,978.

The Total Consideration of RMB279,643,773 (subject to adjustments) has been/shall be paid in cash in the following manner:

(i) an amount of RMB10 million has been paid as refundable deposit (the "**Deposit**") on the date of the Disposal Agreement;

(ii) 50% of the Total Consideration (including the Deposit) shall be payable on the date of submission of the Equity Transfer application to the relevant authority of administration of industry and commerce; and

(iii) 50% of the Total Consideration shall be payable within three (3) months from the approval of the Equity Transfer by the relevant authority of administration of industry and commerce.

The consideration for the Sale Interest shall be adjusted, on a dollar for dollar basis, if the difference in net assets (of which the Unsold Properties shall be valued based on the market valuation as at 31 August 2016) of YZ Tianyu between 30 June 2016 and the Completion Date is more than RMB1 million.

The consideration for the Sale Loan shall be adjusted, on a dollar for dollar basis, for the difference between RMB224,619,978 and the Sale Loan as at the Completion Date. Yu Jun and GZ Tianyu has also agreed that the amount of Sale Loan will not be increased by more than RMB40 million, as compared to RMB224,619,978.

The consideration for the Sale Interest and the Sale Loan was arrived at after arm's length negotiations between the parties to the Disposal Agreement and are on normal commercial terms, with reference to the net deficit of YZ Tianyu and the amount of Sale Loan as at 30 June 2016, and the preliminary valuation as at 31 August 2016 of approximately RMB340.6 million regarding the Unsold Properties held as at 30 June 2016 determined by DTZ Cushman & Wakefield Limited, an independent valuer, with comparison approach. The book value of the Unsold Properties (at the consolidated level) as at 30 June 2016 was approximately RMB191.1 million in aggregate.

Conditions precedent of the Disposal Agreement

Completion of the Disposal Agreement is conditional upon fulfillment of the following conditions:

(i) the Company, being the controlling shareholder of Yu Jun, obtaining the approval from the Stock Exchange (if necessary) and the Independent Shareholders at the SGM in relation to the Disposal Agreement and the transactions contemplated thereunder, including the transfer of the Sale Interest and the Sale Loan, pursuant to the Listing Rules; and

(ii) obtaining the relevant approval from the authority for administration of industry and commerce regarding the transfer of the Sale Interest. Yu Jun and GZ Tianyu shall, within three (3) working days after condition (i) becoming effective, undertake the relevant application procedures in the authority for administration of industry and commerce including, but not limited to, the submission of applications in relation to the change in shareholder, director and legal representative.

All conditions above are not capable of being waived. If the relevant application procedures as stipulated in condition (ii) above have not been undertaken within ten (10) working days from after condition (i) becoming effective, GZ Tianyu shall have the right to terminate the Disposal Agreement. In such case, Yu Jun shall return all consideration paid under the Disposal Agreement within 14 business days from the date of termination of the Disposal Agreement without any interest, and each of Yu Jun and GZ Tianyu is not obliged to indemnify the loss of the counterparty. Nevertheless, the Completion Date, which shall take place upon satisfaction of all conditions precedent set out in the Disposal Agreement, shall fall within 180 days from the date of the Disposal Agreement or such any other later date as the parties to the Disposal Agreement agree in writing.

Completion and long stop date

Completion shall take place upon satisfaction of all conditions precedent set out in the Disposal Agreement. In any case, the Completion Date shall fall within 180 days from the date of the Disposal Agreement or such any other later date as the parties to the Disposal Agreement agree in writing, or the Disposal Agreement shall be terminated and lapsed. Yu Jun shall return the Deposit to GZ Tianyu within 14 working days from the date of termination of the Disposal Agreement without any interest, and each of Yu Jun and GZ Tianyu is not obliged to indemnify the loss of the counterparty.

Upon completion of the Disposal, the Company will cease to have any equity interest in YZ Tianyu and YZ Tianyu will cease to be a subsidiary of the Company.

INFORMATION OF YZ TIANYU

YZ Tianyu was established in the PRC on 27 July 2011 and is currently a 70% indirectly-owned subsidiary of the Company with registered capital of RMB50 million. YZ Tianyu is principally engaged in property development in the PRC, namely the YZ Tianyu Project, and its principal asset is the Unsold Properties.

Set out below is the revenue, loss before and after taxation of YZ Tianyu as extracted from the unaudited financial information of YZ Tianyu for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 prepared under Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as set out in Appendix II to this circular:

	For the year ended 31 December			For the six months ended
	2013	**2014**	**2015**	**30 June 2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	102,106	269,427	65,288
Loss before tax	(11,525)	(39,424)	(27,724)	(15,047)
Loss after tax	(11,525)	(42,809)	(36,651)	(17,209)

Based on the unaudited financial information of YZ Tianyu as set out in Appendix II to this circular, YZ Tianyu recorded unaudited net deficit of approximately RMB70.3 million as at 30 June 2016, which included a shareholders' loan due to Yu Jun of approximately RMB224.6 million. The book value of the Unsold Properties as at 30 June 2016, comprising apartments in GFA of 11,630 sq.m., villas in GFA of 12,810 sq.m., commercial properties (being the retail shops) in GFA of 22,217 sq.m. and 492 car parking spaces in GFA of 5,873 sq.m., was approximately RMB189.2 million in aggregate. Details of the unaudited financial information of YZ Tianyu are set out in Appendix II to this circular.

Based on the valuation report on the Unsold Properties as set out in Appendix IV to this circular, the valuation of the Unsold Properties held as at 31 August 2016 determined by DTZ Cushman & Wakefield Limited, an independent valuer, with comparison approach and investment approach was RMB334.0 million as at 31 August 2016.

YZ Tianyu has contributed over 80% of the Group's total revenue for the year ended 31 December 2015. While given majority part of the saleable GFA under the YZ Tianyu Project has been sold and delivered prior to 2016 and the Group has handed over the completed Tianhe Project during the six months ended 30 June 2016, the revenue of YZ Tianyu only accounted for approximately 5.5% of the Group's total revenue for the six months ended 30 June 2016.

The YZ Tianyu Project is named as "Tianyu-huafu" ("天譽•華府"), and is situated at the junction of Yangming Avenue, Xiangkouguan Road and Lizhi Road, Lingling District, Yongzhou, Hunan Province, the PRC and having a development site area of approximately 70,950 sq.m.. The development of the YZ Tianyu Project has been completed and consists of a total developable GFA of approximately 207,000 sq.m., comprising development of villas, apartments, retail shops and carparks, of which the saleable GFA is approximately 186,000 sq.m.. The land use rights have been granted for a term of 70 years expiring on 23 November 2081 for residential properties and 40 years expiring on 23 November 2051 for commercial properties.

As at 31 August 2016, a saleable GFA of approximately 50,000 sq.m. comprising villas, retail shops, high-rise apartments and underground car park spaces (all of which have been completed) of the YZ Tianyu Project have not yet been sold. Up to 31 August 2016, an aggregated saleable GFA of approximately 136,000 sq.m., mainly comprising high-rise apartments, of the YZ Tianyu Project have been sold and delivered to buyers following the commencement of the initial delivery of properties in May 2014. Out of the saleable GFA of approximately 50,000 sq.m. of the Unsold Properties as at 31 August 2016, approximately 11,000 sq.m. have been contracted for sale up to 31 August 2016.

REASONS FOR THE ENTERING INTO OF THE DISPOSAL AGREEMENT AND USE OF PROCEEDS

The Company is an investment holding company and its principal subsidiaries are engaged in property development, property investment and property management.

As at the Latest Practicable Date, apart from the YZ Tianyu Project, the Group has three property projects under development, namely the Zhoutouzui Project, the Nanning Skyfame Garden Project and the Skyfame Nanning ASEAN Maker Town Project which are expected to be completed starting from 2016 to 2022, and two of which are relatively more scalable and with estimated total developable GFA of over one million sq.m. each.

As stated in the interim results announcement of the Company for the six months ended 30 June 2016 (the "**2016 Interim Results Announcement**"), the Group has net current assets of approximately RMB2,300.7 million with aggregate commitments of approximately RMB1,511.0 million (principally representing the property construction and development costs) and non-current portion of bank and other borrowings of approximately RMB1,188.2 million as at 30 June 2016. The Group expects to build up new land reserves in cities with sizable population and affordable economic stance to support solid demand for housing. With proper implementation of strategies in land bank building, the Group will endeavor to strive for a sustainable growth in its business in the near future when the existing projects, other than the Skyfame Nanning Maker Tower Project, are due to complete by 2018.

As at the Latest Practicable Date, the Company has entered into binding framework agreements with third parties in relation to the proposed acquisition of land and projects for real estate developments with site area in an aggregate of 237,300 sq.m. in Guangzhou of the Guangdong province and Xuzhou of the Jiangsu province. The proposed acquisition in Guangzhou covers a site area of 50,300 sq.m. and GFA of approximately 90,500 sq.m. and is expected to be developed into serviced apartments and ancillary commercial properties and car parks. The acquisition will be made by way of transfer of shares of the project company at a consideration of approximately RMB250 million. The proposed acquisition of a land with site area of 280 mu (approximately 187,000 sq.m.) in Xuzhou of the Jiangsu province covers a development of GFA of approximately 380,000 sq.m. which is expected to be developed into property complex comprising residential units, commercial buildings and car parks. The acquisition will be made through public auction for the land at an estimated consideration of approximately RMB140 million. Nevertheless, the transactions contemplated under the aforesaid framework agreements have not been completed and the development plans of the relevant property projects are yet to be finalized and approved by relevant government authorities as at the Latest Practicable Date.

In addition, the Company has entered into non-legally binding agreements with two third parties in relation to two possible acquisitions of projects under development in Chongqing with a GFA of approximately 295,000 sq.m. for the development of villas, low-rise apartments and ancillary facilities and in Dongguan of Guangdong province with a site area of 380 mu (approximately 254,000 sq.m.) for the development of offices and ancillary facilities, respectively. Subject to further negotiations about the terms of the possible acquisitions, the Company may further enter into legally binding agreements regarding these two possible acquisitions.

For the YZ Tianyu Project, subsequent to the obtaining of its first pre-sale permit in August 2012, the Group has commenced the pre-sale of the YZ Tianyu Project and has sold and delivered a total GFA of up to approximately 136,000 sq.m. up to 31 August 2016 (representing approximately 73.1% of the total saleable GFA of the YZ Tianyu Project). However, the properties sold under the YZ Tianyu Project were mainly high-rise apartments and approximately 80% of the GFA of the villas and retail properties under the YZ Tianyu Project were yet to be sold and delivered as at 31 August 2016. The high-rise apartments were sold at relatively low prices in light of the then market condition which resulted in net losses recorded by YZ Tianyu for each of the years ended 31 December 2013, 2014 and 2015, whilst the market sentiment of the upmarket properties, including villas and commercial properties (being the retail shops), were rather sluggish. As stated in the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"), the profitability from YZ Tianyu Project was unsatisfactory and impairment loss has been provided for the unsold or being completed properties in YZ Tianyu Project. It was also stated in the 2015 Annual Report that, confronting the sluggish market and to alleviate the uncertainties at the future stages of development of the YZ Tianyu Project, the management of the Company entered into an agreement in November 2015 with the district government in Yongzhou to terminate the development of the remaining phases of the project in Yongzhou without incurring additional costs or losses as a result of the termination.

As referred to in the 2016 Interim Results Announcement that the low pricing of properties sold in YZ Tianyu Project led to a loss situation that is resulted from the sluggish market in Lingling District in Yongzhou where demand is low. Moreover, it has been difficult for the Company to find buyers for high-end properties such as villas and commercial properties (being the retail shops) in the area. The Unsold Properties had been made for sale in the open market for more than one year and the Disposal would represent the sacrificing of chances to capture the market upturn in the region. However, the management assesses that the chance of market upturn in the region in the foreseeable future is remote but foresees that the sales of the Unsold Properties, mostly upmarket-properties, to end-market users will likely continue to be unsatisfactory under the current market situation. It considers that it would be most efficient for the Group to dispose of all Unsold Properties in bulk to a single investor in return for cash so as to downsize inventories and further improve the Group's liquidity resources. It would not be practical to dispose of the Unsold Properties in one lot to a single third party investor for cash at fair market value. In view of the relatively low sales velocity of villas and retail properties under the YZ Tianyu Project and GZ Tianyu is willing to take up the YZ Tianyu Project at its current state at fair market value without any discount in cash, the Company considers that the Disposal represents an effective mean to dispose of all remaining saleable GFA of the YZ Tianyu Project once at a time.

The net cash proceeds from the Disposal, after deducting the estimated expenses and tax expenses in relation to the Disposal, will amount to approximately RMB273.2 million. It is currently intended that the net proceeds will be applied to repay the borrowings of the Group. Accordingly, the Disposal is expected to enable the Group to increase its working capital and improve its liquidity and gearing, and further strengthen the overall financial position and to facilitate its future development should opportunities arise.

On the other hand, based on the unaudited net deficit of YZ Tianyu and the Sale Loan as at 30 June 2016, and the valuation as at 31 August 2016 of the Unsold Properties held at 30 June 2016, it is expected that a gain of approximately RMB95.9 million, would be recorded by the Company as a result of the Disposal, which is calculated with reference to the unaudited net deficit of YZ Tianyu of approximately RMB70.3 million (of which 70% was attributable to Yu Jun), finance costs of RMB2.2 million capitalised in the YZ Tianyu Project at consolidated level of the Company's financial statement and elimination of the site expenses of approximately RMB0.3 million charged by Yu Jun and YZ Tianyu Property Management to YZ Tianyu at company level, the Sale Loan of approximately RMB224.6 million as at 30 June 2016, the relevant expenses attributable to the Disposal of approximately RMB1.4 million, the relevant tax expenses of approximately RMB5.0 million and the Total Consideration of approximately RMB279.6 million (subject to adjustments upon completion of the Disposal).

Taking into account of the aforesaid and the fact that the Total Consideration is determined with reference to, among other things, the valuation of the Unsold Properties, the Board (excluding Mr. Yu and including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) considered that the sale of properties is in the ordinary and usual course of business of the Group, the terms of the Disposal Agreement are fair and reasonable and the Disposal is in the interests of the Company and its shareholders as a whole. Mr. Yu, being the chairman of the Company, an executive Director and having a material interest in the Disposal, has abstained from voting on the board resolution to approve the Disposal Agreement and the transactions contemplated thereunder.

INFORMATION ON THE REMAINING GROUP

As at the Latest Practicable Date, other than the YZ Tianyu Project, the Remaining Group was undergoing three property projects under development, namely the Zhoutouzui Project, the Nanning Skyfame Garden Project and the Skyfame Nanning ASEAN Maker Town Project which are expected to be completed starting from 2016 to 2022, and two of which are relatively more scalable and with estimated total developable GFA of over one million sq.m. each. As at the Latest Practicable Date, each of the Zhoutouzui Project and the Nanning Skyfame Garden Project was in presale stage. Details of the remaining property projects under development by the Remaining Group as at the Latest Practicable Date are set out below:

Zhoutouzui Project

The project, named as "Skyfame Byland" ("天譽半島"), is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司, "**Port Authority**"), an original user of the land who is entitled to share 28% in developable GFA of the completed properties pursuant to a joint venture agreement entered into in 2001. The legal title over the remaining 72% of the completed properties rests with the Group.

The site, opposite to the renowned White Swan Hotel, offers a full waterfront view of the Pearl River. The project, situated on a site of 43,609 sq.m., will be a mixed-use development with a total developable GFA of approximately 320,000 sq.m., consisting of 7 towers comprising residential apartments, offices, serviced apartments, and municipal and other facilities, underground car parking facilities and supporting commercial facilities.

As at the Latest Practicable Date, the curtain walls of all towers have been completed. The management expects that construction works of all towers will be completed in 2017. Except for a total saleable GFA of approximately 81,000 sq.m. in tower A4 and A5 and some car parking spaces that will be handed over to the Port Authority in 2017, it is currently planned that all other towers are developed for sales. As at the Latest Practicable Date, pre-sales of residential units in tower A2, A3, A6 and A7 have been launched since 2015. By 25 September 2016, contracted sales of approximately RMB2,518.3 million (total saleable GFA of approximately 67,500 sq.m.) have been made.

Nanning Skyfame Garden Project

The project is situated in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. Commenced construction since the Group acquired the land use right from a land auction in the first quarter of 2014, the project is being developed into a residential district, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total developable GFA of approximately 1,207,000 sq.m., consisting of developable GFA of approximately 918,000 sq.m. for residential and retail properties and other facilities for sale and developable GFA of approximately 289,000 sq.m. of residential and commercial units for compensated housing for the resettlement of the original occupants. The project is divided into five zones, namely Zone 3, 4, 5, 6 and 7.

As at the Latest Practicable Date, all the 5 zones are under construction with pre-sales of property units in zone 3, 4 and 5 of saleable GFA of approximately 622,900 sq.m. have commenced. By 25 September 2016, contracted sales totaling approximately RMB3,539.7 million (total saleable GFA of approximately 562,000 sq.m.) have been made so far since the initial launch. Physical delivery to buyers are scheduled to take place by phases through late 2016 to 2018. In addition, aggregated saleable GFA of 263,000 sq.m. in zone 4, 6 and 7 will be delivered to original land occupants for resettlement housing for which sale proceeds totaling RMB993.2 million have been received from the district government. The management expects the hand-over of resettlement housing will take place in 2017 and 2018.

Skyfame Nanning ASEAN Maker Town Project

In February 2015, the Group acquired through public auction for the land use rights of three land plots of site area of 194,221 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi, the People's Republic of China at an aggregate consideration of approximately RMB705.0 million. The development is planned to be a complex project which will become a landmark in Wuxiang New District comprising A-class offices, residential, hotel, retail properties, a skyscraper with a planned height of approximately 530 meter, car parks for sale and leasing and other ancillary facilities with a planned total developable GFA of approximately 1,405,000 sq.m..

The project is divided into east and west zone and will be developed in phases. The east zone consists of A-class offices, a skyscraper (unofficially named as the Skyfame ASEAN Tower), an international 5-star hotel and retail properties while the west zone consists of residential and retail properties.

Construction works of properties in all zones are expected to be completed between the years from 2018 to 2022. In August 2016, the show flats and the exhibition centre were opened. Subscription for sales from interested buyers are being solicited. Official pre-sales will commence in October 2016.

FINANCIAL EFFECTS OF THE DISPOSAL

Set out below are the effects of the Disposal on the earnings and assets and liabilities of the Group based on the pro forma financial statements of the Remaining Group as contained in Appendix III to this circular:

Earnings

Based on the unaudited accounts of YZ Tianyu as at 30 June 2016 and assuming the Disposal has been completed on 30 June 2016, a gain of approximately RMB95.9 million would have arisen, which is calculated with reference to the Total Consideration less the estimated expenses and tax attributable to the Disposal and the valuation as at 31 August 2016 of the Unsold Properties held at 30 June 2016.

Shareholders and investors should note that the exact amount of gain on the Disposal may be different from the above calculation and is to be determined with reference to the net assets value of YZ Tianyu and the valuation as at 31 August 2016 of the Unsold Properties held at the Completion Date.

Assets and liabilities

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming the Disposal has been completed on 30 June 2016, the total assets of the Group would have increased by approximately RMB52.7 million while the total liabilities of the Group would have decreased by RMB64.3 million. The unaudited pro forma consolidated net assets of the Remaining Group would have increased by RMB117.0 million to RMB1,887.3 million principally due to the recognition of gain on the Disposal and elimination of net deficits attributable to the non-controlling interest of YZ Tianyu. The increase in total assets was principally attributable to the receipt of the Total Consideration, which are entirely in cash, and partially offset by the disposal of Unsold Properties.

LISTING RULES IMPLICATIONS

As one or more percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 75%, the entering into of the Disposal Agreement constitutes a very substantial disposal for the Company and is subject to the Shareholders' approval requirement under the Listing Rules.

On the other hand, Mr. Yu, an executive Director, the chairman and controlling shareholder of the Company, is a controlling shareholder of GZ Tianyu and, therefore, GZ Tianyu is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Rule 14A.24(1) of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

THE SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM at which an ordinary resolution will be proposed and, if thought fit, passed to approve the Disposal Agreement and the transactions contemplated thereunder by way of poll.

Any Shareholder with a material interest in the Disposal and his associates will be required to abstain from voting on resolution approving the Disposal Agreement and the transactions contemplated thereunder at the SGM. Accordingly, GZ Tianyu and its associates, including Mr. Yu, shall abstain from voting at the SGM for approving the Disposal Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for Mr. Yu and his associate who together held 1,674,028,407 Shares (representing approximately 63.98% of the issued share capital of the Company as at the Latest Practicable Date), no other Shareholders are required to abstain from voting on the resolution approving the Disposal Agreement and the transactions contemplated thereunder at the SGM. Accordingly, the Independent Shareholders, being all Shareholders other than Mr. Yu and his associates, will be entitled to vote on the resolution approving the Disposal Agreement and the transactions contemplated thereunder at the SGM.

A form of proxy for use by the Shareholders at the SGM is enclosed. Shareholders are advised to read the notice and to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM if they so wish.

RECOMMENDATION

The Board (excluding Mr. Yu and including the independent non-executive Directors after taking into account of the recommendations from BOSC International as set out in the letter of advice from BOSC International contained in this circular) considers that the disposal of the Unsold Properties is in the ordinary and usual course of business of the Group, the entering into the Disposal Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, the Board recommends that the Independent Shareholders should vote in favour of the ordinary resolution which will be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from BOSC International and the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Skyfame Realty (Holdings) Limited
YU Pan
Chairman

天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

26 October 2016

To the Independent Shareholders

Dear Sirs or Madams,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE 70% EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OF YONGZHOU TIANYU REAL ESTATE DEVELOPMENT COMPANY LIMITED

We refer to the circular of the Company dated 26 October 2016 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the disposal of Unsold Properties is in the ordinary and usual course of business of the Group, the terms of the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as in the interests of the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

BOSC International has been appointed as the Independent Financial Adviser to advise us and you regarding the terms of the Disposal Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out in its letter on pages 13 to 33 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 1 to 11 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the Disposal Agreement and the advice of BOSC International, we are of the opinion that the disposal of Unsold Properties is in the ordinary and usual course of business of the Group, and the terms of the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. CHOY Shu Kwan	**Mr. CHENG Wing Keung, Raymond**	**Ms. CHUNG Lai Fong**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

上銀國際有限公司
BOSC International Company Limited

34/F Champion Tower
3 Garden Road
Hong Kong

26 October 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE 70% EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OF YONGZHOU TIANYU REAL ESTATE DEVELOPMENT COMPANY LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Disposal Agreement, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 26 October 2016, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 September 2016 (after the trading hours of the Stock Exchange), the Company announced that Yu Jun (as the vendor) and GZ Tianyu (as the purchaser) entered into the Disposal Agreement pursuant to which, among other things and subject to the terms and conditions set out in the Disposal Agreement, GZ Tianyu shall acquire the Sale Interest and the Sale Loan from Yu Jun at a consideration of, subject to adjustments, RMB55,023,795 and RMB224,619,978, respectively. The Sale Interest represents the 70% equity interest in YZ Tianyu held by Yu Jun and the Sale Loan represents the shareholder's loan owed by YZ Tianyu to Yu Jun.

The consideration for the Sale Interest shall be adjusted, on a dollar for dollar basis, if the difference in net assets (of which the Unsold Properties shall be valued based on the market valuation as at 31 August 2016) of YZ Tianyu between 30 June 2016 and the Completion Date is more than RMB1 million. The consideration for the Sale Loan shall also be adjusted, on a dollar for dollar basis, for the difference between RMB224,619,978 and the Sale Loan as at the Completion Date. Yu Jun and GZ Tianyu have agreed that the amount of Sale Loan will not be increased by more than RMB40 million, as compared to RMB224,619,978.

Upon completion of the Disposal, the Company will cease to have any equity interest in YZ Tianyu and YZ Tianyu will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 75%, the entering into of the Disposal Agreement constitutes a very substantial disposal for the Company and is subject to the shareholders' approval requirement under the Listing Rules.

Furthermore, Mr. Yu, an executive Director, the chairman and controlling shareholder of the Company, is a controlling shareholder of GZ Tianyu and, therefore, GZ Tianyu is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Rule 14A.24(1) of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As required under Rule 14A.36 of the Listing Rules, GZ Tianyu and its associates, including Mr. Yu, shall abstain from voting at the SGM for approving the Disposal Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Choy Shu Kwan, Mr. Cheng Wing Keung, Raymond and Ms. Chung Lai Fong, has been established to advise the Independent Shareholders on the Disposal Agreement and the transactions contemplated thereunder. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in Appendix V to the Circular that the Circular, for which they 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 the 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 the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts the omission of which would make any statement in the Circular misleading have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, GZ Tianyu or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Disposal, we have considered the following principal factors and reasons:

1. Information on the Group

The Group is principally engaged in property development, property investment and property management, with focuses on the development of a wide range of property types, including commercial and residential properties, offices, serviced apartments and hotels in the PRC. The Group's property development segment, the revenue of which is mainly generated from the sale of properties in the PRC, represented approximately 75% or more of the Group's total revenue for each of the three years ended 31 December 2013, 2014 and 2015, and six months ended 30 June 2016. Given the aforesaid principal business of the Group and the fact that property sales has been one of the Group's main revenue contributors, we consider the entering into of the Disposal Agreement is in the ordinary and usual course of business of the Company.

1.1. Historical financial performance of the Group

Set out below are the financial results of the Group for the three years ended 31 December 2013, 2014 and 2015, and six months ended 30 June 2016 and 2015, details of which are set out in the Company's annual/interim reports for the respective years/periods:

	Year ended 31 December			Six months ended 30 June	
	2015	2014	2013	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue:					
Property development	269,427	118,345	657,728	1,180,846	113,280
Property investment	18,244	15,713	17,978	8,253	9,556
Property management	18,650	23,812	–	9,019	9,298
	306,321	157,870	675,706	1,198,118	132,134
Cost of sales and services	(272,393)	(123,879)	(545,994)	(921,284)	(124,545)
Gross profit	33,928	33,991	129,712	276,834	7,589
Other income and gains, net	1,402	5,505	9,667	877	1,974
Sales and marketing expenses	(46,000)	(23,087)	(19,143)	(29,340)	(21,577)
Administrative and other expenses	(137,516)	(101,361)	(66,497)	(72,604)	(54,821)
Unrealised exchange loss	(69,026)	(972)	–	(28,539)	1,806
Fair value changes in investment properties	6,736	(38,822)	36,102	–	–
(Write-down)/Reversal of write-down of properties under development/properties held for sale	(20,024)	(38,759)	23,572	–	–
Impairment loss on goodwill	–	–	(313)	–	–
Gain from bargain purchase	–	1,600	–	–	–
Gain on early redemption of promissory notes	–	–	4,152	–	–
Fair value changes in derivative financial asset/liabilities	2,632	2,245	(3,957)	2,229	(16,727)
Loss on disposal of subsidiaries, net of tax	–	(15,830)	–	–	–
Finance costs	(1,813)	(1,871)	(758)	(3,372)	(2,115)
Finance income	21,198	9,035	28,374	7,727	10,161
Profit/(Loss) before income tax	(208,483)	(168,326)	140,911	153,812	(73,710)
Income tax (expense)/credit	(23,781)	8,346	(28,238)	(57,839)	(3,464)
Profit/(Loss) for the year	(232,264)	(159,980)	112,673	95,973	(77,174)

As shown above, revenue was mainly derived from property development, which represented approximately 97.3%, 75.0%, 88.0% and 98.6% of the total revenue of the Group for each of the three years ended 31 December 2013, 2014 and 2015, and six months ended 30 June 2016. The discussion of the Group's historical financial performance below is extracted from the Company's annual and interim reports for the respective years/periods.

Comparison between the two years ended 31 December 2013 and 2014

The Group's revenue for the year ended 31 December 2014 ("**FY14**") amounted to approximately RMB157.9 million, representing an approximately 76.6% decrease to that of the year ended 31 December 2013 ("**FY13**"). The decrease was mainly due to the relatively lower volume of properties, in particular residential properties, sold during FY14. As a result of the slowing economy and the sentiment in general consumption in the PRC, demand for properties, which is generally sensitive to economic cycle, was adversely affected. Revenue generated from the Group's property development business, which mainly comprised the sale of properties, dropped from approximately RMB657.7 million for FY13 to approximately RMB118.3 million for FY14.

For FY14, the cost of sales of the Group amounted to approximately RMB123.9 million, representing a decrease of approximately 77.3% as compared to FY13. The gross profit of the Group decreased by approximately 73.8% from approximately RMB129.7 million for FY13 to RMB34.0 million for FY14. The gross profit margin for FY14 was approximately 21.5% as compared to 19.2% for FY13, and such increase was mainly attributable to the fact that property sales, a comparatively lower margin income component, represented less in proportion to the Group's total revenue for FY14 as compared to that of FY13.

For FY14, the Group's loss for the year amounted to approximately RMB160.0 million, as compared to a profit for the year of approximately RMB112.7 million for FY13. The Group turned from recording a net profit to a net loss primarily due to the decrease in revenue and gross profit in FY14, and the increase in operating expense items such as administrative and other expenses, and sales and marketing expenses during FY14 in order to push the pre-sales of several real estate projects. There were also downward fair value changes for the Group's investment properties and write-down of certain properties of the Group in FY14 due to impairment losses.

Comparison between the two years ended 31 December 2014 and 2015

The Group's revenue for the year ended 31 December 2015 ("**FY15**") amounted to approximately RMB306.3 million, representing an approximately 94.0% increase in revenue as compared to that of FY14. The increase was mainly due to a mild recovery in the property sector in some regions of the PRC, and the Group managed to record higher sales volume of completed residential properties from the YZ Tianyu Project and commence the presale of two new residential projects in Guangzhou and Nanning, the PRC. Revenue generated from the Group's property development business increased from approximately RMB118.3 million for FY14 to RMB269.4 million for FY15.

For FY15, the cost of sales for the Group amounted to approximately RMB272.4 million, representing an increase of approximately 119.9% as compared to FY14. The gross profit of the Group remained relatively stable at approximately RMB34.0 million for FY14 and RMB33.9 million for FY15. The gross profit margin for FY15 was approximately 11.1% as compared to 21.5% for FY14, and such decrease was mainly due to the higher proportion of property sales with comparatively lower margins during FY15.

For FY15, the Group's loss for the year amounted to approximately RMB232.3 million, as compared to a loss for the year of approximately RMB160.0 million for FY14. The increase in net loss was primarily due to the increase in unrealized exchange loss of approximately RMB68.1 million and increase in administrative and other expenses of approximately RMB36.2 million.

Comparison between the two six months ended 30 June 2016 and 2015

The Group's revenue for the six months ended 30 June 2016 ("**1H16**") amounted to approximately RMB1,198.1 million, representing an increase of approximately 806.7% as compared to that of the six months ended 30 June 2015 ("**1H15**"). Such increase was mainly due to the completion and sale of properties to the buyers of the Group's Tianhe project in Guangzhou, the PRC, during 1H16, which amounted to approximately RMB1,180.8 million.

The gross profit increased from approximately RMB7.6 million for 1H15 to approximately RMB276.8 million for 1H16, representing an approximately 35.5 times increase. The gross profit margin increased to approximately 23.1% for 1H16 from 5.7% for 1H15 mainly as a result of the higher margin achieved in the aforementioned Tianhe project, which compensated the loss-making YZ Tianyu Project.

For 1H16, profit for the year amounted to approximately RMB96.0 million, as compared to a loss of approximately RMB77.2 million for 1H15. Profit for the year improved mainly due to the increase in revenue and gross profit during 1H16.

1.2. Financial position of the Group

Set out below is the summary of the unaudited consolidated assets and liabilities of the Group as at 30 June 2016, details of which are set out in the Company's interim report for the period:

	As at 30 June 2016 *RMB'000* (unaudited)
Non-current assets	
Property, plant and equipment	255,816
Investment properties	572,520
Goodwill	13,554
Derivative financial asset	127
	842,017
Current assets	
Properties under development	6,849,988
Properties held for sale	195,236
Consideration receivable	140,000
Loan to a non-controlling shareholder of a subsidiary	35,400
Trade and other receivables	623,879
Prepaid income tax	36,239
Restricted and pledged deposits	698,808
Cash and cash equivalents	875,364
	9,454,914
Total assets	10,296,931
Current liabilities	
Trade and other payables	1,042,322
Properties pre-sale deposits	5,544,387
Bank and other borrowings – current portion	567,477
	7,154,186
Non-current liabilities	
Bank and other borrowings – non-current portion	1,188,216
Derivative financial liabilities	15,545
Deferred tax liabilities	168,651
	1,372,412
Total liabilities	8,526,598
Net assets	1,770,333
Capital and reserves	
Share capital	24,456
Reserves	1,741,679
Equity attributable to owners of the Company	1,766,135
Non-controlling interests	4,198
Total Equity	1,770,333

As at 30 June 2016, total assets amounted to approximately RMB10,296.9 million, total liabilities amounted to approximately RMB8,526.6 million and net assets amounted to approximately RMB1,770.3 million. Properties under development was the major current asset for the Company as at 30 June 2016, which amounted to approximately RMB6,850.0 million and contributed to approximately 66.5% of the Group's total assets. Properties under development mainly comprised of the Group's property projects in Guangzhou, Nanning and Yongzhou cities, the PRC. Investment properties, which the Group holds for regular leasing income, was the major non-current asset as at 30 June 2016, amounting to approximately RMB572.5 million and representing approximately 5.6% of the Group's total assets. Properties pre-sale deposits was the major liabilities for the Group as at 30 June 2016, amounting to approximately RMB5,544.4 million and contributed to approximately 65.0% of total liabilities.

2. The Disposal

2.1 Background information of YZ Tianyu

YZ Tianyu was established in the PRC on 27 July 2011 and is currently a 70% indirectly-owned subsidiary of the Company. YZ Tianyu is principally engaged in property development in the PRC, namely the YZ Tianyu Project, and its principal asset is the Unsold Properties. The YZ Tianyu Project is named as "Tianyu Huafu", and is situated at the junction of Yangming Avenue, Xiangkouguan Road and Lizhi Road, Lingling District, Yongzhou City, Hunan Province, the PRC and having a development site area of approximately 70,950 sq.m.. The development of the YZ Tianyu Project has been completed and consists of a total developable GFA of approximately 207,000 sq.m., comprising residential development of villas, apartments, retail shops and carparks, of which the saleable GFA is approximately 186,000 sq.m..

As stated in the interim results announcement of the Company for 1H16 and the Letter from the Board, as at 31 August 2016, a saleable GFA of approximately 50,000 sq.m. of villas, retail shops, high-rise apartments and underground car park spaces (all of which have been completed) of the YZ Tianyu Project have not yet been sold. Up to 31 August 2016, an aggregate saleable GFA of approximately 136,000 sq.m., mainly comprising high-rise apartments, of the YZ Tianyu Project have been sold and delivered to buyers following the commencement of the initial delivery of properties in May 2014. Out of the saleable GFA of approximately 50,000 sq.m. unsold as at 31 August 2016, approximately 11,000 sq.m. have been contracted for sale up to 31 August 2016. The preliminary valuation of the Unsold Properties as at 30 June 2016 determined by DTZ Cushman & Wakefield Limited ("**DTZ**"), an independent valuer, was approximately RMB340.6 million as at 31 August 2016 as compared to the book value of the Unsold Properties as at 30 June 2016 of approximately RMB191.1 million as at 30 June 2016.

2.2 *Financial information of YZ Tianyu*

2.2.1 Historical financial performance of YZ Tianyu

Set out below are the financial results of YZ Tianyu for the three years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2015 and 2016, details of which are set out in Appendix II to the Circular:

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2014**	**2013**	**2016**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	269,427	102,106	–	65,288	113,280
Cost of sales	(262,332)	(103,237)	–	(74,770)	(112,037)
Gross profit/(loss)	7,095	(1,131)	–	(9,482)	1,243
Other income	794	23	–	251	–
Sales and marketing expenses	(3,234)	(4,280)	(5,325)	(1,564)	(1,850)
Administrative and other expenses	(13,798)	(4,895)	(6,321)	(4,277)	(2,340)
Impairment loss of properties under development	(18,736)	(29,402)	–	–	(8,637)
Finance income	155	261	121	25	112
Loss before income tax	(27,724)	(39,424)	(11,525)	(15,047)	(11,472)
Income tax expenses	(8,927)	(3,385)	–	(2,162)	(3,754)
Loss for the year/period	(36,651)	(42,809)	(11,525)	(17,209)	(15,226)

As the delivery of properties from the YZ Tianyu Project commenced in 2014, YZ Tianyu only started generating revenue during FY14. Our discussion below is therefore mainly focused on comparisons of YZ Tianyu's financial performance between FY14 and FY15, and 1H15 and 1H16.

Comparison between the two years ended 31 December 2014 and 2015

For FY15, YZ Tianyu recorded revenue of approximately RMB269.4 million, which represented an increase of approximately 163.9% as compared to that of FY14. Such increase was mainly due to the larger volume of properties completed and delivered to customers during FY15. Although revenue increased by a significant percentage, YZ Tianyu's gross profit margin remained low for FY15. YZ Tianyu's gross profit margin only improved slightly from approximately -1.1% for FY14 to approximately 2.6% for FY15. Gross margins remained unsatisfactory as YZ Tianyu sold many of the YZ Tianyu Project's high-rise apartments at very low prices due to the unfavourable market conditions in the region. Administrative and other expenses increased during FY15 as compared to FY14 mainly due to the write-off of the previously paid provisional corporate income tax. Selling and marketing expenses decreased during FY15 as compared to FY14 mainly as a result of the decreased expenses on advertising and promotion of the YZ Tianyu Project. Given the aforesaid unfavorable market conditions in the region, management also provided impairment loss for the unsold or being completed properties for FY14 and FY15, which amounted to approximately RMB29.4 million and RMB18.7 million, respectively. As a result of the above, YZ Tianyu's loss before taxation narrowed from approximately RMB39.4 million for FY14 to RMB27.7 million for FY15. Income tax expenses, however, increased substantially from approximately RMB3.4 million for FY14 to RMB8.9 million for FY15. The increase in income tax expenses was mainly due to the provision for land appreciation tax ("**LAT**") for the sale of properties and a write-off of the previously paid provisional LAT that was considered not recoverable due to the planned exit of the YZ Tianyu Project during FY15. As a result, net loss for the year amounted to approximately RMB36.7 million for FY15, representing an approximately 14.4% decrease in loss from FY14.

Comparison between the two six months ended 30 June 2015 and 2016

For 1H16, YZ Tianyu recorded revenue of approximately RMB65.3 million, representing an approximately 42.4% decrease from that of 1H15. The decrease in revenue was mainly due to lower volume of properties delivered to customers in 1H16. Gross loss for 1H16 was approximately RMB9.5 million, as compared to a gross profit of approximately RMB1.2 million for 1H15. The decrease in gross profit and gross profit margin was mainly due to the overrun of the construction of the YZ Tianyu Project and thus incurred additional construction costs. Sales and marketing expenses and administrative expenses remained relatively stable during 1H16 as compared to that of 1H15. No impairment loss was recorded for 1H16 as compared to an impairment loss of approximately RMB8.6 million for 1H15. Net loss for 1H16 was approximately RMB17.2 million, representing an approximately 13.0% increase in loss from that of 1H15, which was mainly due to the decrease in revenue and gross profit margin during 1H16.

2.2.2 *Financial position of YZ Tianyu*

	As at 30 June 2016 *RMB'000* (unaudited)
ASSETS	
Non-current assets	
Fixed assets	675
Current assets	
Properties held for sale	189,163
Deposits, prepayments and other receivable	11,673
Bank balances and cash	23,515
	224,351
Total assets	225,026
LIABILITIES	
Current liabilities	
Trade payables and other payables	41,321
Properties pre-sale deposits	22,984
Amount due to immediate holding company	224,620
Income tax payable	6,395
Total liabilities	295,320
Net liabilities	(70,294)
CAPITAL AND EQUITY	
Share capital	50,000
Accumulated loss	(120,294)
Total deficit	(70,294)

As at 30 June 2016, total assets amounted to approximately RMB225.0 million, total liabilities amounted to approximately RMB295.3 million and net liabilities amounted to approximately RMB70.3 million. Properties held for sale was the major current asset for YZ Tianyu as at 30 June 2016, which amounted to approximately RMB189.2 million and contributed to approximately 84.1% of YZ Tianyu's total assets. Amount due to Yu Jun (i.e. the Sale Loan) was the major liabilities for the Group as at 30 June 2016, amounting to approximately RMB224.6 million and contributed to approximately 76.1% of total liabilities. YZ Tianyu had a net deficit of approximately RMB70.3 million as at 30 June 2016.

2.3 Background to and reasons for the Disposal

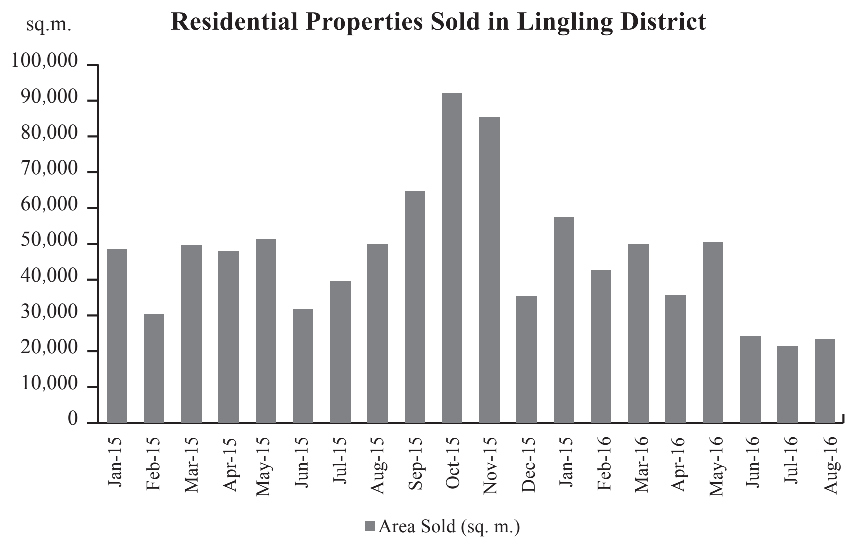
On 27 September 2016, Yu Jun entered into the Disposal Agreement with GZ Tianyu pursuant to which Yu Jun agreed to sell and GZ Tianyu agreed to purchase the Sale Interest and the Sale Loan at a consideration of, subject to adjustments, RMB55,023,795 and RMB224,619,978, respectively. The Sale Interest represents the 70% equity interest in YZ Tianyu held by Yu Jun and the Sale Loan represents the shareholder's loan owed by YZ Tianyu to Yu Jun.

As stated in the Letter from the Board, the YZ Tianyu Project contributed over 80% of the Group's total revenue for FY15 and a majority portion of the saleable GFA under the YZ Tianyu Project has already been sold and delivered prior to 30 June 2016, leaving mainly villas and retail properties as the Unsold Properties as at 30 June 2016. The profitability from the YZ Tianyu Project, however, has historically been unsatisfactory and impairment loss has been provided for the unsold or being completed properties in YZ Tianyu Project, which is evident in our analysis on the historical financial performance of YZ Tianyu above as YZ Tianyu recorded impairment loss on properties under development during FY14 and FY15, and recorded net loss for consecutive years/periods since 2013. Although most of the high-rise apartments have been sold, the Group has experienced difficulties in achieving reasonable profitability from the properties developed and sold in the YZ Tianyu Project. As shown above, YZ Tianyu recorded gross loss for FY14 and 1H16, and only managed to record a very low gross margin of approximately 2.6% for FY15. The consistently poor financial performance of YZ Tianyu was mainly due to the high-rise apartments being sold at relatively low prices and the negative market sentiment of the upmarket properties, including villas and retail properties, as a result of the sluggish market in the Lingling District in Yongzhou City. This has caused YZ Tianyu's property inventories to remain unsold. As a result of the unsatisfactory performance of the project, the Company has also decided to terminate its investment plans in Yongzhou City by entering into an agreement with the district government of Yongzhou City to terminate the development of the remaining phases of the whole project in Yongzhou in 2015.

According to the valuation report as set out in Appendix IV to this Circular, approximately 44.3% of the GFA of the Unsold Properties are residential properties and villas, 44.0% of the GFA of the Unsold Properties are commercial properties, and the remaining 11.7% of the GFA are car parks. To assess the condition of both the residential and commercial property markets, we have reviewed statistical data from various sources.

2.3.1 Residential properties

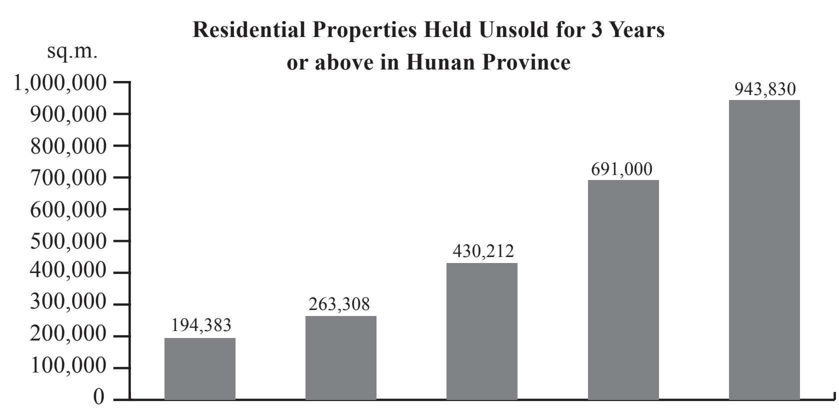
For residential properties, we have reviewed the monthly sales data of residential properties in the Lingling District in Yongzhou City since January 2015, as shown in the chart below:



Source: Yongzhou property website (永州房產網)

As shown in the chart above, the area of residential properties sold in each month in the Lingling District in Yongzhou City has largely been declining from approximately 92,000 sq.m. in October 2015 to approximately 23,000 sq.m. in August 2016. Such decreasing trend indicates the worsening condition of the property market in Yongzhou City and the increasing difficulty for YZ Tianyu to sell the residential properties in the open market without compromising on profitability.

As Yongzhou City is situated in Hunan Province, we have also reviewed data from the Statistical Bureau of Hunan Province in relation to the residential property market in Hunan Province. We noted that residential properties that were held unsold for 3 years or above in Hunan Province have been rapidly building up over the past 4 years, which is shown in the chart below:



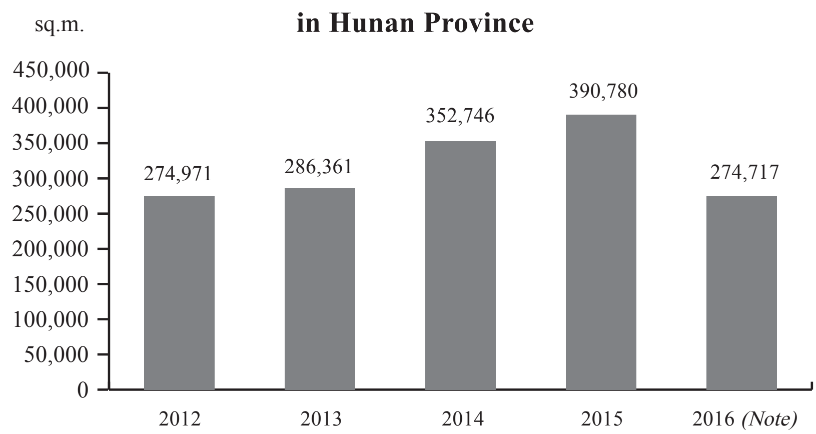
Source: Statistical Bureau of Hunan Province

Residential properties held unsold for three years or above in Hunan Province increased from approximately 194,383 sq.m. as at December 2012 to approximately 943,830 sq.m. as at August 2016, which represents a compound annual growth rate of approximately 53.9%. The above chart is therefore good indication that residential properties in Hunan Province have been building up, and the continuing trend of over-supply and low demand of residential properties in Hunan Province may lead to further unfavourable property price movements in Hunan Province.

2.3.2 Commercial properties

For commercial properties, we have reviewed data in relation to retail property sales in Hunan Province from the Statistical Bureau of Hunan Province, as shown in the chart below:

Average Monthly Sales of Retail Properties in Hunan Province



Source: Statistical Bureau of Hunan Province

Note: Average monthly sales for 2016 is calculated based on sales data from January to August 2016.

As shown in the chart above, average monthly sales of retail properties in Hunan Province have decreased significantly from approximately 390,780 sq.m. in 2015 to approximately 274,717 sq.m. in 2016, representing a decrease of approximately 29.7%. Such decrease indicates the recent slowing-down of the retail property market in Hunan Province.

2.3.3 Conclusion

Given the declining trend of the area of residential properties sold in the Lingling District since October 2015, the significant increase in residential properties held unsold for three years or above as shown above and the recent substantial decrease in average monthly sales of retail properties in Hunan Province in 2016, coupled with the poor historical financial performance of the YZ Tianyu Project, we concur with the Directors' view that the Disposal represents an excellent opportunity for the Group to dispose of all the Unsold Properties in one transaction at market value.

Taking into consideration that (i) over 70% of the total saleable GFA of the YZ Tianyu Project has already been sold as at 30 June 2016, and the historical financial performance of YZ Tianyu has been poor; (ii) the weak property market in Yongzhou City has caused the Company to decide to terminate its investment plans in Yongzhou City; (iii) monthly sales of residential properties in the Lingling District in Yongzhou City has been declining since the last quarter of 2015; (iv) the average monthly sales of commercial properties in Hunan Province have decreased significantly in 2016; (v) the significant increase in residential properties that are held unsold for three years of above in Hunan Province is an unfavourable factor for the selling price of the Unsold Properties; (vi) the Disposal will allow the Group to dispose of all the Unsold Properties in one transaction at market value at a time when it may be difficult for the Group to quickly identify third party purchasers willing to do so at similar terms of the Disposal; (vii) the Disposal is expected to result in a gain for the Group and will generate additional working capital for the Group and hence lower its gearing (please refer to the paragraph headed "3. Financial effects of the Disposal" below for more details), we concur with the Directors' views that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

2.4 Key terms of the Disposal Agreement

2.4.1 The Disposal Agreement

Pursuant to the Disposal Agreement, Yu Jun agreed to sell and GZ Tianyu agreed to purchase (i) the Sale Interest (representing 70% of the issued share capital of YZ Tianyu) at a consideration of HK$55,023,795 (the "**SI Consideration**"), subject to adjustments as further elaborated below; and (ii) the Sale Loan (representing the shareholder's loan owed by YZ Tianyu to Yu Jun) at a consideration of HK$224,619,978 (the "**SL Consideration**"), subject to adjustments as further elaborated below.

2.4.2 Consideration

The SI Consideration

The SI Consideration of HK$55,023,795 was agreed between Yu Jun and GZ Tianyu after arm's length negotiations with reference to the net deficit of YZ Tianyu as at 30 June 2016 and the preliminary valuation of the Unsold Properties as at 31 August 2016 of approximately RMB340.6 million regarding the Unsold Properties held as at 30 June 2016 determined by DTZ. The SI Consideration shall also be adjusted, on a dollar for dollar basis, if the difference in net assets (of which the Unsold Properties shall be valued based on the market valuation as at 31 August 2016) of YZ Tianyu between 30 June 2016 and the Completion Date is more than RMB1 million.

We have obtained from the Company and reviewed the financial statements of YZ Tianyu as at 30 June 2016, details of which are set out in Appendix II to this Circular, and note that YZ Tianyu's net deficit amounted to approximately RMB70.3 million as at 30 June 2016. We also note from the Letter from the Board that the preliminary valuation of the Unsold Properties as at 30 June 2016 determined by DTZ are valued at approximately RMB340.6 million (the "**Market Valuation**") as at 31 August 2016. We then reviewed the Company's calculation that after adjusting for such Market Valuation, the adjusted net asset value of YZ Tianyu would amount to approximately RMB81.1 million as at 30 June 2016 (the "**Adjusted NAV**"). The SI Consideration of HK$55,023,795 was therefore determined with reference to approximately 70%, being YZ Tianyu's equity interest held by the Company, of the Adjusted NAV, and we consider the adjustments made by the Company to arrive at the Adjusted NAV to be fair and reasonable as the Adjusted NAV reflects the fair market value of the Unsold Properties as at 30 June 2016. We also consider the dollar for dollar adjustment in respect of the SI Consideration to be fair and reasonable as any material change in net asset value of YZ Tianyu, being more than RMB1 million, between 30 June 2016 and the Completion Date will be taken into account in the final adjusted SI Consideration.

In assessing the fairness and reasonableness of the Market Valuation, we have reviewed information provided by DTZ, a valuer independent to the Company, including its valuation report, engagement letter, and interviewed DTZ. With regards to our review of DTZ's engagement letter, we consider its scope of work to be appropriate for the purpose of this transaction, and we did not note any limitations that would adversely impact on the degree of assurance given by DTZ. With regards to our interview with DTZ, we note that in performing the valuation of the Unsold Properties, DTZ has made references to comparable sale transactions (the "**Comparables**") as available in the market. We have been advised by DTZ that as the Unsold Properties are completed and held for sale, there are several comparable properties found in the same district/city. Therefore, the above comparison valuation approach is considered the most appropriate methodology in arriving at the valuation of the Unsold Properties.

We understand that DTZ selected the Comparables based on criteria such as (i) location of the sold property; (ii) size of the sold property; (iii) terms, including pricing, of the sales transaction; and (iv) timing of the sales transaction. As the Unsold Properties consist of villas, retail properties, car parks and residential apartments, based on DTZ's research on and knowledge of the property market in Yongzhou City, DTZ identified a list of recent sample comparable sale transactions for each type of the aforesaid properties when determining their respective Market Valuation under the comparison valuation approach. We obtained such Comparables list from DTZ and discussed with DTZ the details of the Comparables. For villas, the Comparables represent recent sale transactions in August 2016, and are mostly located in the Lingling District of Yongzhou City (i.e. location of the Unsold Properties). The GFA of the subject villas range from approximately 200 to 300 sq.m., and have a unit price range of approximately RMB6,500 to RMB8,000 per sq.m.. The villas of the Unsold Properties are valued at RMB7,000 per sq.m., which is within this range. For retail properties, the Comparables also represent recent sale transactions in August 2016, and are also located in the Lingling District of Yongzhou City. The GFA of the subject retail properties range from approximately 20 to 70 sq.m., and have a unit price range of approximately RMB12,000 to RMB18,000 per sq.m.. The retail properties of the Unsold Properties, depending on whether they are located on the first floor or the second floor, and whether they are located in the shopping complex of the property, are valued from RMB6,000 to RMB12,000 per sq.m.. As advised by DTZ, the prices are lower than those of the Comparables because the Unsold Properties are located in a more remote area in the Lingling District. For car parks, the Comparables also represent recent sale transactions in August 2016, and are also located in the Lingling District of Yongzhou City. The GFA of the subject car parks range from approximately 15 to 30 sq.m., and have a unit price range of approximately RMB60,000 to RMB70,000 per unit. The car parks of the Unsold Properties are valued at RMB65,000 per unit, which is within this range. For residential apartments, the Comparables also represent recent sale transactions in August 2016, and are also located in the Lingling District of Yongzhou City. The GFA of the subject residential apartments range from approximately 80 to 150 sq.m., and have a unit price range of approximately RMB3,100 to RMB3,300 per sq.m.. There is only 1 unit of residential properties left unsold as at 31 August 2016, valued at RMB3,000 per sq.m., which is slightly below the range. As advised by DTZ, such lower price reflects the less favourable location of the unsold unit. As the Comparables selected by DTZ represent very recent sale transactions taken place in the same city/district as the Unsold Properties, and the sizes of the subject properties in respect of selected Comparables are also similar to that of the Unsold Properties, we consider the Comparables selected by DTZ to be consistent with DTZ's selection criteria and are reasonable given their similarities to the Unsold Properties. As the unit prices of the Unsold Properties are comparable to the range of unit prices of the Comparables, we also consider the unit prices adopted by DTZ in valuing the Unsold Properties to be fair and reasonable.

In addition to understanding the details of and assessing the reasonableness of the selected Comparables, we have also discussed with DTZ to understand the assumptions which they have taken into consideration when performing the valuation of the Unsold Properties. DTZ also advised that the valuation of the Unsold Properties was carried out in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors. Based on the above, we believe that the above valuation approach adopted by DTZ in performing the valuation of the Unsold Properties and the assumptions taken into consideration by DTZ are appropriate and have been made with due care and objectivity, and on a reasonable basis.

Consideration for the Sale Loan

The SL Consideration of HK$224,619,978 was agreed between Yu Jun and GZ Tianyu after arm's length negotiations with reference to the Sale Loan as at 30 June 2016. As the SL Consideration will be adjusted for on a dollar for dollar basis for the difference between the Sale Loan as at 30 June 2016 and as at the Completion Date, we consider the SL Consideration to be fair and reasonable.

2.4.3 Terms of payment

The Total Consideration of RMB279,643,773 (subject to adjustments) shall be settled by GZ Tianyu in cash in the following manner:

(i) an amount of RMB10 million as refundable deposit on the date of the Disposal Agreement;

(ii) 50% of the Total Consideration (including the deposit) on the date of submission of the Equity Transfer application to the relevant authority of administration of industry and commerce; and

(iii) 50% of the Total Consideration within three (3) months from the approval of the Equity Transfer by the relevant authority of administration of industry and commerce.

We consider the aforesaid terms of payment to be fair and reasonable as the Total Consideration shall be settled by GZ Tianyu within a reasonable timeframe after the approval of the Equity Transfer by the relevant authority of administration of industry and commerce in the PRC.

2.4.4 Conditions precedent to the Disposal Agreement

Please refer to the section headed "Conditions precedent of the Disposal Agreement" in the Letter from the Board for the conditions precedent to the Disposal Agreement.

2.5 Conclusion

Having considered all factors discussed above, we are of the view that the terms of the Disposal Agreement, including the Total Consideration, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3. **Financial effects of the Disposal**

3.1 Earnings

As YZ Tianyu will cease to be a subsidiary of the Company upon completion of the Disposal, the financial results of YZ Tianyu will no longer be consolidated into the Company's consolidated financial statements going forward.

As set out in Appendix III to this Circular, based on the unaudited net deficit of YZ Tianyu as at 30 June 2016, the Sale Loan as at 30 June 2016 and the valuation of the Unsold Properties as at 31 August 2016, it is expected that a gain of approximately RMB95.9 million will be recorded by the Company as a result of the Disposal, which is calculated as per below:

	RMB'million
Total Consideration	**279.6**
Adjust for:	
Expenses attributable to the Disposal	(1.4)
Relevant tax expenses	(5.0)
Net Total Consideration	**273.2**
Minus:	
Unaudited net asset value of YZ Tianyu as at 30 June 2016 after excluding the Sale Loan and adjusting for (i) finance costs capitalised in the YZ Tianyu Project; and (ii) elimination of the site expenses charged by Yu Jun to YZ Tianyu	(156.2)
Non-controlling interests of YZ Tianyu as at 30 June 2016	(21.1)
Expected gain recorded by the Company as a result of the Disposal	**95.9**

For detailed explanations of the above calculations and adjustments, please refer to the accompanying notes as set out in Appendix III to the Circular.

3.2 Net asset value and gearing

According to the interim report of the Company for 1H16, the Group recorded total equity attributable to owners of the Company and total net assets of approximately HK$1,766.1 million and HK$1,770.3 million, respectively. As at 30 June 2016, the total assets of the Group amounted to approximately HK$10,296.9 million and the total liabilities of the Group amounted to approximately HK$8,526.6 million. The Group's net gearing ratio was approximately 22.3% as at 30 June 2016.

As set out in Appendix III to the Circular, as a result of the Disposal, the total assets of the Group will be increased by approximately HK$52.7 million. Such increase is mainly resulted from the net proceeds from the Disposal, which is partially offset by the decrease in properties held for sale. The total liabilities of the Group will be decreased by approximately HK$64.3 million, which is resulted from the decrease in trade and other payables and properties pre-sale deposits in relation to YZ Tianyu. Taking into account the above effects, the Group's net gearing ratio will be reduced to approximately 12.2%.

3.3 Liquidity

As set out in Appendix III to the Circular, as a result of the Disposal, the cash and bank balances of the Group will be increased by mainly the estimated net proceeds from the Disposal and the properties held for sale will be decreased mainly by the sale of the Unsold Properties. The Group's current ratio was approximately 1.32 as at 30 June 2016 and will remain stable at approximately 1.34 upon Completion.

Shareholders and investors should note that the aforesaid financial effects as discussed above are subject to audit and will vary and depend on the carrying value of the aforesaid disposed assets, as well as financial position of the Group as at the date of Completion.

3.4 Conclusion

Based on the above, we consider that the Group is expected to record a gain from the Disposal, and the net asset position and gearing of the Group are expected to improve as a result of the Disposal.

4. Recommendation

Having taken into account the above principal factors and reasons, in particular, the following:

– property development and sales has historically been the Group's largest revenue contributor and the Disposal is therefore considered to be in line with the Group's principal business;

– the YZ Tianyu Project contributed over 80% of the Group's total revenue for FY15 and a majority portion of the saleable GFA under the YZ Tianyu Project has already been sold and delivered prior to 30 June 2016;

– the profitability from the YZ Tianyu Project has historically been unsatisfactory as YZ Tianyu recorded net loss for consecutive years/periods since 2013 and impairment loss has been provided for the unsold or being completed properties in the YZ Tianyu Project;

– according to our understanding from the management of the Company and the results of our research on both the residential and commercial property markets in Hunan Province and Yongzhou City, statistics concerning recent property sales have indicated a slow-down in the property markets in both Hunan Province and Yongzhou City, which are negative factors affecting the Group's ability to identify a third party purchaser to acquire the Unsold Properties in one transaction at market value;

– the Company has already decided to terminate its investment plans in Yongzhou City by entering into an agreement with the district government of Yongzhou City to terminate the development of the remaining phases of the whole project in Yongzhou in 2015;

– the SI Consideration was determined based on the Adjusted NAV, which takes into account the Market Valuation, (which we consider fair and reasonable given our assessment of the Comparables selected by DTZ as summarised below), and the SL Consideration was determined based on the Sale Loan, both of which will be adjusted on a dollar-for-dollar basis in case there are any material variations in value (for the SI Consideration) or any variations in value (for the Sale Loan) between 30 June 2016 and the date of Completion;

– we have discussed with DTZ to understand their valuation methodology, as well as the details of the Comparables selected by DTZ to arrive at the Market Valuation, and consider the selected Comparables to be reasonable as they represent recent sale transactions taken place in the same city/district as the Unsold Properties, and the sizes of the subject properties in respect of the Comparables are similar to that of the Unsold Properties; and

– the Disposal is expected to result in a gain for the Group and will generate additional working capital for the Group and hence lower its gearing;

We consider the Disposal Agreement is on normal commercial terms and entered into in the ordinary and usual course of business of the Group and the terms of the Disposal are fair and reasonable to the Independent Shareholders and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
BOSC International Company Limited

Heidi Cheng	**Aaron Ko**
Managing Director	*Vice President*
Corporate Finance	*Corporate Finance*

Note: Ms. Heidi Cheng of BOSC International Company Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2004, and Mr. Aaron Ko of BOSC International Company Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2010. Ms. Heidi Cheng and Mr. Aaron Ko of BOSC International Company Limited have over 20 and 6 years of experience in the corporate finance industry, respectively, and completed a number of independent financial advisory work in respect of connected transactions involving disposals.

1. FINANCIAL SUMMARY

The audited financial information of the Group for each of the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 are disclosed in the annual reports of the Company for the years ended 31 December 2013, 31 December 2014, 31 December 2015, respectively. The unaudited financial information of the Group for the six months ended 30 June 2016 are disclosed in the interim report of the Company for the six months ended 30 June 2016.

The above-mentioned financial information has been published on the website of the Company (www.tianyudc.com), and the website of the Stock Exchange as set out below:

Document	**Link**
Annual report for the year ended 31 December 2013	http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0415/LTN20140415470.pdf
Annual report for the year ended 31 December 2014	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN20150427555.pdf
Annual report for the year ended 31 December 2015	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0421/LTN20160421673.pdf
Interim report for the six months ended 30 June 2016	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0921/LTN20160921281.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding bank and other borrowings in aggregated principal value of approximately RMB3,714.1 million which comprised:

(i) bank loans of approximately RMB943.8 million secured by mortgages of ownership titles of properties under development, leasehold land and building, and investment properties. The Company also provides a corporate guarantee to secure for the repayment of a bank loan of approximately RMB67.4 million;

(ii) a bank loan of US$60.0 million (RMB401.4 million) secured by personal guarantee provided by Mr. Yu and share charge of 1,587,168,407 shares of the Company beneficially owned by Mr. Yu;

(iii) money market loans in aggregate of approximately RMB392.6 million extended by a bank in Macau that are secured by letters of credit issued by a PRC-based bank which are secured by bank deposits of RMB388.4 million;

(iv) an entrusted loan of RMB27.0 million from a third party entity which borrowed a bank loan on behalf of a subsidiary of the Company which is secured by properties owned by the third party. The loan facility is also secured by a corporate guarantee provided by the Company and personal guarantee given by Mr. Yu;

(v) a loan extended by Ample Mark Enterprises Limited ("**Ample Mark**") to the Company of HK$560.0 million (RMB483.0 million) (the "**Loan**") which also subscribed for convertible bonds issued by the Company in an aggregate principle amount of HK$40 million (RMB34.5 million) (the "**Convertible Bonds**"). Pursuant to the terms and conditions of the instrument dated 23 July 2015, the convertible bondholders have the right to convert all or any part of the principal amount of the Convertible Bonds into shares at an adjusted conversion price of HK$1.014 per share (subject to adjustment) at any time on and after the issue date up to the maturity date of the Convertible Bonds on 22 July, 2017 which is extendable for another two years at the discretion of the convertible bondholders.

Pursuant to the two share charges, both dated 23 July 2015, Fortunate Start Investments Limited, a wholly-owned subsidiary of the Company, has charged all its rights, title and interest in the entity of Guangzhou Zhoutouzui Development Limited in favour of Ample Mark to secure the repayment of the Loan and the Convertible Bonds;

(vi) unsecured bonds in total principal value of HK$100.0 million (equivalent to approximately RMB86.3 million) issued to a number of bondholders with maturity term of three years due in 2019; and

(vii) medium-term unsecured bonds at principal value totaling HK$1,560.0 million (equivalent to approximately RMB1,345.5 million) at respective principal amount in aggregate of HK$290.0 million (RMB250.1 million) due in 2024, HK$60.0 million (RMB51.8 million) due in 2025, HK$570.0 million (RMB491.6 million) due in 2031 and HK$640.0 million (RMB552.0 million) due in 2032.

In addition, as at 31 August 2016, the Group had commitments contracted but not provided for in respect of the property development costs of approximately RMB1,489.3 million.

The Group provided guarantees to the extent of approximately RMB3,734.2 million as at 31 August 2016 in respect of credit facilities granted by certain banks for mortgaged bank loans extended to some buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible for repaying the outstanding mortgaged loans, accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take legal action against the defaulted buyers for losses and take possession of the related properties from the defaulted buyers. Such guarantees shall terminate upon delivery of properties and issuance of relevant property ownership certificates to the property buyers. The management, with its assessment of the current and outlook of the market, perceives that the possibility of default in mortgage loans by home buyers is remote and, in the event of default, the liabilities caused to the Group will be minimal as the loss will be adequately mitigated by the proceeds recovered from the sales of the repossessed properties. Accordingly, no provision is made in the accounts for the financial guarantees.

Save as aforesaid and apart from intra-group liabilities, and the normal trade and other payables incurred in the ordinary course of business, the Group did not have any debt securities issued and outstanding or agreed to be issued, outstanding bank borrowings, bank overdrafts, liabilities under acceptances, acceptance credits, mortgages, charges, other indebtedness in the nature of borrowing, finance lease or hire purchase commitments, guarantees or material contingent liabilities as at 31 August 2016.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Remaining Group's available financial resources, including the existing credit facilities and internal resources, and the Disposal can be completed as currently envisaged, the working capital available to the Remaining Group is sufficient for its present requirements and for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

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

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon completion of the Disposal, the Remaining Group will continue to be engaged in property development, property investment and property management.

As set out under the paragraphs headed "Information on the Remaining Group" in the letter from the Board contained in this circular, the Remaining Group will be undergoing three property projects under development, namely the Zhoutouzui Project, the Nanning Skyfame Garden Project and the Skyfame Nanning ASEAN Maker Town Project which are expected to be completed starting from 2016 to 2022.

Among these three property projects, two of the projects (namely the Nanning Skyfame Garden Project and the Skyfame Nanning ASEAN Maker Town Project) are located in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province, and the Zhoutouzui Project is situated opposite to the renowned White Swan Hotel in Guangzhou and offers a full waterfront view of the Pearl River. Presale for the Zhoutouzui Project and the Nanning Skyfame Garden Project has commenced with satisfactory results.

Affected generally by the massive monetary supply in the economy and hence the loosening credits provided to the market players, the property markets in many regions on the mainland in the past months of the year 2016 have been red hot. Sales in our Zhoutouzui Project in Guangzhou, a high-end residential project, are picking up the growth of the property sales in the other first-tier cities whilst our smaller-sized apartments for the mass property market in Nanning Sky are robust. Alongside, land prices in some regions of the country have grown to a faster extent than houses on sale. These called for a new series of cooling policies from the city governments to tighten the bank lending and restrict buyers entering into the property market in some fast growing regions.

The Remaining Group has received satisfactory return of sale presale proceeds that have improved its liquidity and gearing during the months of the year. It is better equipped to move to the new era in its time horizon. Awaiting the outcome of these policies, the management continues to seek suitable new projects but remains selective in the land acquisition, aiming to avoid excessive risk whilst maintaining a steady step in expansion.

Going forward, as stated in "Reasons for the entering into of the Disposal Agreement and use of proceeds" in the letter from the Board contained in this circular, the Group expects to build up new land reserves in cities with sizable population and affordable economic stance to support solid demand for housing. With proper implementation of strategies in land bank building, the Group will endeavor to strive for a sustainable growth in its business in the near future.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

FOR THE SIX MONTHS ENDED 30 JUNE 2016

A. Business review

The handing-over of the completed Tianhe Project in the period served the Remaining Group with a record breaking sale level. The Remaining Group had recognized property sales of RMB1,115.6 million for the first six months ended 30 June 2016.

Up till the period-end date, the Remaining Group is in presale of two projects, namely Zhoutouzui Project in Guangzhou and Nanning Skyfame Garden Project in Nanning. The pre-sale performance is within the expectation of our management in light of the current market atmosphere which turns to be positive compared with the corresponding period last year. During the six months ended 30 June 2016, contracted sales in aggregate of approximately RMB1.95 billion have been made. The two key projects, Zhoutouzui Project and Nanning Skyfame Garden Project, have contracted sales of approximately RMB5.5 billion in respect of saleable GFA of approximately 605,000 sq. m. since commencement of presales and up to 25 July 2016. These contracted sales will turn into sale revenue when the relevant properties are completed and delivered starting from late 2016 and until 2018 according to the construction timelines.

B. Property Portfolio

1. Properties under development and land reserves

Including Tianhe Project in Guangzhou completed in April 2016, the Remaining Group underwent the development of four real estate development projects in mainland China during the first six months of 2016. As at 26 August 2016, the Remaining Group's projects on hand renders a total GFA of approximately 2,932,000 sq.m..

The details about the Remaining Group's projects on hand as at 26 August 2016 are summarised below:

Project	Location	Property type	Estimated project total developable GFA *sq.m.*	Estimated completion year	The Remaining Group's interest
Zhoutouzui Project	Guangzhou	Residential and commercial	320,000	2017	72%
Nanning Skyfame Garden Project	Nanning	Residential, commercial and ancillary facilities	1,207,000	2016 to 2018	80%
Skyfame Nanning ASEAN Maker Town Project	Nanning	Composite	1,405,000	2018 to 2022	100%
Total			2,932,000		

Zhoutouzui Project

The project, named as "Skyfame Byland" ("天譽半島"), is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司, "**Port Authority**"), an original user of the land who is entitled to share 28% in developable GFA of the completed properties pursuant to a joint venture agreement entered into in 2001. The legal title over the remaining 72% of the completed properties rests with the Remaining Group.

The site, opposite to the renowned White Swan Hotel, offers a full waterfront view of the Pearl River. The project, situated on a site of 43,609 sq.m., will be a mixed-use development with a total developable GFA of approximately 320,000 sq.m., consisting of 7 towers comprising residential apartments, offices, serviced apartments, and municipal and other facilities, underground car parking facilities and supporting commercial facilities.

As of 25 July 2016, all towers have been roofed. The management expects that construction works of all towers will be completed in 2017. Except for a total saleable GFA of approximately 81,000 sq.m. in tower A4 and A5 and some car parking spaces that will be handed over to the Port Authority in 2017, it is currently planned that all other towers are developed for sales. Pre-sales of residential units in tower A3, A6 and A7 were launched in 2015. Up to 25 July 2016, contracted sales of approximately RMB2,064.9 million (total saleable GFA of approximately 57,000 sq.m.) have been made.

Tianhe Project

The project, consisting of a developable GFA of approximately 112,000 sq.m. in two twin towers, is a mixed-use development that comprises an international 4-star hotel branded as Aloft Guangzhou Tianhe Hotel ("**Aloft Hotel**"), serviced apartments and A-class offices which is situated in Tianhe District, a commercial business hub in central Guangzhou.

The equity interest in the project company that was engaged in the development of the project was disposed pursuant to an agreement in 2010 for a gross consideration of RMB1.09 billion before the deduction of some development costs that are to be borne by the Remaining Group.

The properties were completed and handed over to the buyer in April 2016. Aloft Hotel has commenced business since mid-May 2016. The sale transaction from the transaction is recorded as property sales and the resulting profits booked in the accounts of the Remaining Group for the current period.

Nanning Skyfame Garden Project

The project is situated in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. Commenced construction since the Remaining Group acquired the land use right from a land auction in the first quarter of 2014, the project is being developed into a residential district, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total developable GFA of approximately 1,207,000 sq.m., consisting of developable GFA of approximately 918,000 sq.m. for residential and retail properties and other facilities for sale and developable GFA of approximately 289,000 sq.m. of residential and commercial units for compensated housing for the resettlement of the original occupants. The project is divided into five zones, namely Zone 3, 4, 5, 6 and 7.

As of 25 July 2016, all the 5 zones are under construction. 40 out of a total 65 towers, have been roof-topped. Pre-sales of property units in zone 3, 4 and 5 of saleable GFA of approximately 605,800 sq.m. have commenced and contracted sales totaling approximately RMB3,430.1 million (total saleable GFA of approximately 548,000 sq.m.) have been made so far since the initial launch. Physical delivery to buyers are scheduled to take place by phases through late 2016 to 2018. In addition, an aggregated saleable GFA of 263,000 sq.m. in zone 4, 6 and 7 will be delivered to original land occupants for resettlement housing for which sale proceeds totaling RMB993.2 million have been received from the district government. The management expects the hand-over of resettlement housing will take place in 2017 and 2018.

Skyfame Nanning ASEAN Maker Town Project

In February 2015, the Remaining Group acquired through public auction for the land use rights of three land plots of site area of 194,221 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning. Guangxi, the People's Republic of China at an aggregate consideration of approximately RMB705.0 million. The development is planned to be a complex project which will become a landmark in Wuxiang New District comprising A-class offices, residential, hotel, retail properties, a skyscraper with a planned height of approximately 530 meter, car parks for sale and leasing and other ancillary facilities with a planned total developable GFA of approximately 1,405,000 sq.m..

The project is divided into east and west zone and will be developed in phases. The east zone consists of A-class offices, a skyscraper (unofficially named as the Skyfame ASEAN Tower), an international 5-star hotel and retail properties while the west zone consists of residential and retail properties.

As of 25 July 2016, development works have commenced. Structural design of the Skyfame ASEAN Tower with a planned height of approximately 530 meter has successfully passed the review of the PRC National Super High-rise Anti-seismic Committee. Construction works of properties in all zones are expected to be completed between the years from 2018 to 2022.

2. Investment properties

The Remaining Group also holds two investment properties for regular leasing income with details as follows:

A 17,300 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou is 84.4% occupied as at 30 June 2016. The Directors consider the properties are fairly stated in the statement of financial position of the Remaining Group as of 30 June 2016 at directors' estimated open market values totaling RMB448.0 million.

A 8,700 sq.ft. office premise at AXA Centre in Wanchai, Hong Kong is 74.8% occupied as at 30 June 2016. The Directors consider the property is fairly stated in the statement of financial position of the Remaining Group as of 30 June 2016 at directors' estimated open market value of RMB124.5 million (approximately HK$145.7 million).

Business Outlook

China's economy is no doubt going into a new normal slower GDP growth in line with the central government's emphasis to keep economic growth more sustainable by imposing stimulus in domestic consumption and investments in selected sectors. In the wake of strong property sale performance in some first and second-tier cities as a result of the stimulating policies favouring the property sector in late 2015 that continues into the first half of 2016, we believe that the sales momentum will remain in the coming months of the year. However, there will be convergence in housing policies in different regions in the country where there will be restrictive policies in regions with signs of overheating but a broad-based clampdown is not expected. Buying sentiment in Guangzhou and Nanning, the major contributors of revenue to the Remaining Group in the period, is seen to be increasingly positive, but yet is considered as rational as compared with other cities like Shenzhen and Nanjing where the housing prices gallop and inventory level has been drastically dragged down. Under this circumstance, the management expects Guangzhou and Nanning are not the targets of new restrictive policies, resulting that property sales in these regions will continue to benefit from the policy loosening.

Projects in Guangzhou and Nanning have delivered satisfactory pre-sale results during the period ended 30 June 2016. The contracted presales of the two projects will turn into recognized sales in late 2016 to 2018, depending on the timing of handing-over of properties sold.

Thanks to the strong cash inflow generated from presales, the Remaining Group has had a de-leveraged financial position with reduced net gearing ratio comparing with the last year-end date. The Remaining Group expects to ride on the stronger organic cash flow generation in the second half of 2016 and the coming years to build up new land reserves in cities with sizable population and affordable economic stance to support solid demand for housing. With proper implementation of strategies in land bank building, the Remaining Group will ensure a sustainable growth in its business in 2018 onwards when the existing projects, other than the Nanning Maker Tower Project, are due to be completed by 2018. The management has been currently in active negotiations with land sellers and believes that some acquisitions will soon be materialized in the coming months.

Financial Review

Sales Turnover and Margins

Property sales of the Remaining Group are the largest income earner. During the period, the Remaining Group's Tianhe Project was completed and delivered. The handing-over of the Tianhe Project signified a record breaking revenue of RMB1,115.6 million to the Remaining Group.

Overall gross margin on property sales is 24.4%.

The leasing of properties at the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at AXA Centre in Wanchai, Hong Kong, the Remaining Group's secondary line of business, contributed a total revenue of RMB8.3 million. period at a gross margin of 90.1%. Whilst the occupancy rate of the commercial podium at Tianyu Garden Phase II is maintained steady at 84.1%, the occupancy of AXA Centre is 74.8% as at 30 June 2016, being affected by temporary vacancy due to termination of lease of a tenant.

The property management company provides a relative stable income of RMB10.5 million for the period. The operation enjoys a margin of 67.6%.

The overall gross margin of the Remaining Group for the period is 25.3%.

Operating Expenses

As a result of the launching of pre-sale marketing activities in particular for the youth community residential units in Nanning Skyfame Garden Project and the continuous marketing of the Zhoutouzui Project, sales and marketing expenses, consisting of mainly advertising, promotions and agent commission, surged to RMB27.2 million. Administrative and other operating expenses were increased to RMB67.4 million, The increase in expenses is explained by unrealized losses of RMB28.0 million on exchange of loans denominated in HK$ and US$ booked for the period and the increased staff costs. Staff costs, being the biggest expense item in total operating expenses amounted to RMB39.6 million.

Finance Costs

Due to the increase in presale proceeds received that were used to repay the Remaining Group's indebtedness, the Remaining Group's indebtedness declined, leading to a drop in finance costs. Finance costs, including arrangement fees, incurred during the period decreased to RMB84.8 million. Most finance costs incurred were capitalized as costs of those projects under development whilst only RMB3.4 million was charged against the operating results for the period.

Non-operating Items

Non-operating items include mainly the net decrease of RMB2.2 million in the fair values of the derivative financial asset/liabilities that are embedded in the rights attached to the Company's secured loan advanced by and convertible bond issued to a lender in 2015, and the medium term bonds issued to some investors in 2014 up to the period end date.

Taxation

Provision for taxation is made for corporate income taxes on profits arrived from property sales and property management.

Profits Attributable to Shareholders

The Company had a consolidated after-tax profit of RMB115.6 million for the period of which profit of RMB111.3 million was attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. *Asset Base*

		30 June 2016	**31 December 2015**
	Change in %	*RMB'000*	*RMB'000*
Total assets	–0.3%	10,300,998	10,326,935
Net assets	17.6%	1,838,705	1,563,390

Properties under development, with total carrying costs of RMB6,850.0 million, is the biggest asset category in the total assets of the Remaining Group. Total assets also include investment properties with fair market values totaling RMB572.5 million, properties for self-use, plant and equipment totalling RMB255.1 million, restricted cash and pledged deposits of RMB698.8 million, cash and cash equivalents of RMB851.8 million, trade deposits and receivables of RMB612.2 million, and balance of sale consideration receivable from HNA in respect of the disposal of the equity interest in Tianhe Project of RMB140.0 million.

2. *Capital structure and liquidity*

The Company raised HK$192 million in cash by way of a private placement to a number of investors in early June 2016. The placing proceed was used to repay a third party loan of the Company. The indebtedness of the Remaining Group are aggregated to RMB1,771.2 million at the period-end date. Indebtedness of the Company also includes money market loans of RMB389.1 million which are guaranteed by letter of credits issued by banks being backed up by cash deposits of RMB388.4 million. Excluding these backed-up loans, the indebtedness of the Remaining Group amounted to RMB1,382.1 million at the period-end.

Due to the drop in indebtedness and the enlarged equity by the private placement in the period, the gearing ratio, calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt), drops to 23.1% as at 30 June 2016.

		30 June 2016	**31 December 2015**
	Change in %	*RMB'000*	*RMB'000*
Current assets *(A)*	–0.2%	9,459,656	9,481,316
Current liabilites *(B)*	–9.5%	7,089,881	7,835,535
Current ratios *(A/B)*	9.9%	1.33	1.21

Current assets were steadily maintained at RMB9,459.7 million as at the period-end.

Total current liabilities at the period-end amounted to RMB7,089.9 million, representing a drop of 9.5% from last year-end date. The decrease in current liabilities is caused by the repayment of bank loans and other borrowings when they were due during the period. Such decrease was partially offset by the increase in presale deposits received from customers.

The current ratio, being 1.33 times at the period-end, indicates improvements in the Company's strength to liquidate the assets to meet with its loan repayment commitments.

3. *Borrowings and pledge of assets*

The office units at AXA Centre in Hong Kong and office premises at HNA Tower and certain commercial units at the commercial podium in Tianyu Garden Phase II in Guangzhou are mortgaged in favour of commercial banks to secure for financing facilities granted to the Remaining Group for its general working capital. In addition, cash deposits are placed in commercial banks to secure for letters of credit issued to a Macau-based bank to guarantee repayment performance of the money market loans. The issued shares of GZ Zhoutouzui, a subsidiary holding the equity interest in Zhoutouzui Project, and 1,587,168,407 shares of the Company owned by the Company's controlling shareholder, Yu Pan, are charged as security in favor of two financial institutions for loans advanced and a convertible bond issued to the lenders. As at 30 June 2016, the outstanding balances of these secured indebtedness amounted to RMB1,516.9 million whilst the pledged assets and the underlying assets represented by these securities carried an aggregated realizable value estimated at approximately RMB3,175.7 million measured by open market values of the assets charged or mortgaged as at 30 June 2016. The securities provide the creditors with sufficient cover on their lending. The Remaining Group is sufficiently backed up with assets to secure for its indebtedness.

Contingent Liabilities

In July 2015, a legal action was raised against 廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Company Limited) ("**Yucheng**"), the project company of Zhoutouzui Project, by Guangzhou Port Group Carrier Services Co., Limited (廣州港集團客運服務有限公司), a wholly-owned subsidiary of Port Authority, to claim for compensation in the amount of RMB20.0 million for the demolition and relocation of occupants of the site of Zhoutouzui Project. The claim was made pursuant to an agreement entered into with Port Authority and Yucheng on 18 September 2001 and as supplemented by an agreement dated 18 December 2003 entered into with Port Authority and Yucheng. Due to a problem about the legal identity of the claimant, on 29 April 2016, the case was withdrawn by the claimant. On 28 April 2016, Port Authority initiated another legal action with a revised claim of RMB12.0 million. The claim has been in negotiations between the parties out of court. Based on the current assessment of the progress of the negotiations, the directors estimate that the claim will be settled at a reduced amount that will be provided for in the accounts of the Remaining Group timely upon the reaching of a settlement agreement with the parties.

Other than the above-mentioned, the Remaining Group had no other material contingent liabilities as at 30 June 2016.

Treasury Management

The Remaining Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing, property leasing, investment holding and administrative activities of the Remaining Group are carried out and denominated in HK or US dollars. At the period-end date, the Remaining Group has foreign currency denominated borrowings and financial derivatives equivalent to RMB1,645.4 million, and an overseas properties with carrying value equivalent to RMB191.1 million. The other assets and liabilities are mostly denominated in RMB.

Since August 2015, RMB have depreciated against HK and US dollars by a total of 8.3%, of which a depreciation of 2.0% for the current period was experienced. In consequence, foreign exchange losses of RMB28.0 million were unrealized when liabilities denominated in foreign currencies are converted at RMB in the financial accounts. In addition, exchange differences arising from the consolidation of assets and liabilities of a subsidiary operated in Hong Kong as at 30 June 2016 results to an exchange gain of RMB0.7 million. The gain is charged against the exchange reserve that forms part of the equity of the Company.

We expect that the volatility of RMB will continue in the coming months, but in milder steps. Further depreciation of RMB may happen, bringing negative impacts on the profitability of the Remaining Group when losses may be incurred when foreign currency denominated indebtedness are converted into RMB upon maturities or at reporting period-ends. Unfortunately, no natural hedge against the depreciation of RMB is available to the Remaining Group in the meantime. The management will instead make possible effort to reduce the foreign currency debts or taking useful hedging instruments to manage the exposures at reasonable costs.

Employees

The Remaining Group recruits suitable staff in capable caliber to fill vacancies created as a result of the growing business. As at 30 June 2016, including four executive directors of the Company, the Remaining Group employed a total of 534 full-time staff, of which 136 work in site offices, 149 in the head office in Guangzhou and Hong Kong for central management and supporting work in the property development business and 249 full-time staff in the property management offices in Guangdong and Hunan provinces and Nanning city. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by bonuses benchmarked on performance targets and options to acquire shares of the Company. Besides, training programs are offered to management trainees and staff at all levels. Remuneration packages are aligned with job markets in the business territories where the staff are located.

FOR THE YEAR ENDED 31 DECEMBER 2015

Business Review

The business of the Remaining Group in the year confirms a mild recovery in the property sector in some regions of the country. Following various relaxation of regulatory policies and stimulative measures that were put onto the market throughout the year spurring the demand for properties, sales of properties turn positive in some regions in the year despite a slowing economy on mainland China. However, the strong demand for housing rests on properties for basic housing needs in the first and second-tier cities where both prices and sale volumes demonstrate improvements at different extents. Sales in the third and fourth-tier cities, where the bulk of inventories remain an issue, have not yet bottomed up.

During the year, the Remaining Group has launched its two projects, namely the luxurious residential project in Zhoutouzui, Guangzhou and high-end residential project at Nanning Skyfame Garden in Nanning for presale. The pre-sale performance in Guangzhou and Nanning is within the expectation of our management.

Property Portfolio

1. Properties under development and land reserves

Including the new project with planned developable GFA of approximately 1,405,000 sq.m. which are situated at the riverfront in Nanning acquired in a public land auction in February 2015, the Remaining Group was undergoing the development of a total of four real estate development projects in mainland China as at 31 December 2015. As at the date of this report, the Remaining Group's projects on hand renders a total developable GFA of approximately 3,044,000 sq.m.

The details about the Remaining Group's projects on hand as at the date of this report are summarised below:

Project	Location	Property type	Estimated Project total Developable GFA *sq.m.*	Estimated completion year	The Remaining Group's interest
Zhoutouzui Project	Guangzhou	Residential and commercial	320,000	2017	72%
Tianhe Project	Guangzhou	Commercial	112,000	2016	*(Note)*
Nanning Skyfame Garden Project	Nanning	Residential, commercial and ancillary facilities	1,207,000	2016 to 2018	80%
Skyfame Nanning ASEAN Maker Town Project	Nanning	Composite	1,405,000	2018 to 2022	100%
Total			3,044,000		

Note:

Equity interests in the project was sold in 2010 and the Remaining Group resumes the role as the project manager of the project. Revenue and costs associated with the disposal will only be recognized in the consolidated profit or loss of the Remaining Group upon completion of the project.

Zhoutouzui Project

The project, named "Skyfame Byland" ("天譽半島"), is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司, "**Port Authority**"), an original user of the land who is entitled to share 28% in developable GFA of the completed properties pursuant to a joint venture agreement entered into in 2001. The legal title over the remaining 72% of the completed properties rests with the Remaining Group.

The site, opposite to the renowned White Swan Hotel, offers a full waterfront view of the Pearl River. The project, situated on a site of 43,609 sq.m., will be a mixed-use development with a total developable GFA of approximately 320,000 sq.m., consisting of 7 towers comprising residential apartments, offices, serviced apartments, and municipal and other facilities, underground car parking facilities and supporting commercial facilities.

As of 25 February 2016, the landscape of the project has been further upgraded. The management expects that construction works of all towers will be completed in 2017. Except for a total saleable GFA of approximately 81,000 sq.m. in tower A4 and A5 and some car parking spaces that will be handed over to the Port Authority in 2017, it is currently planned that all other towers are developed for sales. Pre-sales of residential units in tower A3, A6 and A7 were launched in 2015. Up to 25 February 2016, contracted sales of approximately RMB1,544.2 million (total saleable GFA of approximately 44,600 sq.m.) have been made, of which pre-sale deposits of approximately RMB1,472.2 million have been received.

Tianhe Project

The project, consisting of a developable GFA of approximately 112,000 sq.m. in two twin towers, is a mixed-use development that comprises a hotel, serviced apartments and offices situated in Tianhe District, a commercial business hub in central Guangzhou. As of 25 February 2016, examinations for final inspection for completion have been in process. Delivery of the completed properties is expected to be completed before mid-2016.

The equity interest in the project company engaged in the development of the project was disposed to Hainan Airline Hotel Holdings Group Co., Limited (海航酒店控股集團有限公司) ("**HNA Hotel**") pursuant to a disposal agreement entered into in 2010 at a gross consideration of RMB1.09 billion before deduction of finance and other costs that are to be borne by the Remaining Group and the Remaining Group is obliged to deliver the project upon the obtaining the board title of the completed towers.

Given the current progress of the development, the directors expect that the project will be completed in 2016 and the sale transaction and the resulting gain from the sale of properties will then be fully recorded in the accounts of the Remaining Group.

Nanning Skyfame Garden Project

The project is situated in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. Commenced construction since the Remaining Group acquired the land use right from a land auction in the first quarter of 2014, the project is being developed into a residential district, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total developable GFA of approximately 1,207,000 sq.m., consisting of developable GFA of approximately developable 918,000 sq.m. for residential and retail properties and other facilities for sale and a total developable GFA of approximately 289,000 sq.m. of residential and commercial units for compensated housing for the resettlement of the original occupants. The project is divided into five zones, namely Zone 3, 4, 5, 6 and 7.

As of 25 February 2016, all the 5 zones are under construction. 31 out of total 65 towers, have been rooftopped. Pre-sales of property units in Zone 3, 4 and 5 of saleable GFA of approximately 429,400 sq.m. have commenced and contracted sales totaling approximately RMB2,067.9 million (total saleable GFA of approximately 340,900 sq.m.) have been made so far since the initial launch, of which presale deposits of approximately RMB1,373.9 million have been received. Physical delivery to buyers are scheduled to take place by phases through late 2016 to 2018. In addition, aggregated saleable GFA of 263,000 sq.m. in Zone 4, 6 and 7 will be delivered to original land occupants for resettlement housing for which sale proceeds totaling RMB993.2 million have been received from the district government. The management expects the handing-over will take place in 2017 and 2018.

Skyfame Nanning ASEAN Maker Town Project

In February 2015, the Remaining Group acquired through public auction for the land use rights of three land plots of site area of 194,221 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning. Guangxi, the People's Republic of China at an aggregate consideration of approximately RMB705.0 million. The development is planned to be a complex project which will become a landmark in Wuxiang New District comprising A-class offices, residential, hotel, retail properties, a skyscraper with a planned height of approximately 530 meter, car parks for sale and leasing and other ancillary facilities with a planned total developable GFA of approximately 1,405,000 sq.m..

The project is divided into east and west zone and will be developed in phases. The east zone consists of A-class offices, a skyscraper, a hotel and retail properties while the west zone consists of residential and retail properties. Development works have commenced. Construction works are expected to be completed between the years from 2018 to 2022.

2. Investment properties

The Remaining Group also holds two investment properties for regular leasing income with details as follows:

A 17,300 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou is 84.4% occupied as at 31 December 2015. The Directors consider the properties are fairly stated in the statement of financial position of the Remaining Group as of 31 December 2015 at directors' estimated open market values totaling RMB448.0 million.

A 14,500 sq.ft. office premise at AXA Centre in Wanchai, Hong Kong of which GFA of 8,700 sq.ft. are leased to third party tenants and the other 5,800 sq.ft. for self-use. The leased area is 74.8% occupied as at 31 December 2015. The Directors consider the property is fairly stated in the statement of financial position of the Remaining Group as of 31 December 2015 at directors' estimated open market value of approximately RMB122.1 million (HK$145.7 million).

Business Outlook

China's main economic goal in 2016 is to manage a soft landing after a turbulence year in 2015. The soft landing will enable the economy to achieve a smooth transition to a "new normal" low GDP growth whilst allowing slower but more sustainable development. Slower economic growth, in combination with abundant new supply of real estates, is set to push up vacancy rates in residential properties in third and fourth-tier cities though the property sector in the first and second-tier cities remain steady. To accomplish such economic goal, we expect further easing policies are likely to be taken by the central government.

The presales mainly in Zhoutouzui Project and Nanning Skyfame Garden Project continue in 2016 for which the management has set an annual sale target of RMB3.6 billion. To achieve the target, the management endeavors to boost sales, despite the challenges in the markets. Depending on the timing of delivery of the presold properties, contracted sales will be turned into recognized sales in the years of 2016 to 2018. In the year 2016, the Remaining Group's projects offer an aggregated saleable GFA approximately of 190,100 sq.m. that will be completed and can be recognized as revenue for the year, consisting of respectively 78,100 sq.m. in Nanning Skyfame Garden Project and 112,000 sq.m. in Tianhe Project. In respect of Tianhe Project, revenue of approximately RMB1,114.6 million will be recognized for the year 2016.

The Remaining Group has built up a property portfolio ready for presales and sales in the years to come. These sales will no doubt improve at an obvious extent the Remaining Group's free cash position that can be used for acquisitions of new projects to sustain the Remaining Group's business as a financially stable developer on mainland China.

Financial Review

Sales Turnover and Margins

The Remaining Group did not have property sales during the year.

The leasing of properties at the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at AXA Centre in Wanchai, Hong Kong, the Remaining Group's secondary line of business, contributed a relatively stable revenue of RMB18.3 million. The rise in leasing income for the year was reflected by the improved occupancy of the premises. The occupancy rate of the commercial podium at Tianyu Garden Phase II and AXA Centre is respectively 84.4% and 74.8% as at 31 December 2015. The gross margin of this income stream is 89.0%.

The property management company acquired by the Remaining Group in early 2014 provides another new business line the Remaining Group that brings relative stable income of RMB21.2 million for the year. The drop in income from this business line for the year was explained by the disposal of a property management company in November 2014 that serviced our residential project in Guiyang that was disposed during last year.

Due to the lack of income from property sales that usually have a comparatively low margin in sale mix for the period, the overall gross margin of the Remaining Group for the period is 76.5%.

Operating Expenses

Bigger marketing activities were put up during the year to keep abreast with the presales of Nanning Skyfame Garden Project and Zhoutouzui Project, sales and marketing expenses, consisting of mainly advertising, promotions and agent commission amounted to RMB42.8 million. Administrative and other operating expenses amounting to RMB121.2 million. Staff costs, being the biggest expense item in operating expenses, amounted to RMB70.8 million. The rise in staff costs is mainly resulted from the recruitments of more staff in higher positions in the property development business with higher levels of payroll.

Finance Costs

Finance costs, including arrangement fees, rose to RMB264.6 million. The increase was explained by the Remaining Group's additional borrowings to finance the acquisition of land and construction of projects during the year. Most finance costs incurred were capitalized as costs of projects under development whilst only RMB1.8 million was charged against the operating results for the year.

Non-operating Items

As a result of the downward adjustment of the official exchange rate of RMB by the People's Bank of China in August 2015, the exchange rates of RMB against Hong Kong or US dollars have been depreciated by 6% up to 31 December 2015. The depreciation causes an unrealised exchange loss of RMB69.0 million on the conversion of foreign denominated offshore debts into RMB at year-end date.

Other non-operating items include mainly the gain of RMB2.6 million arising from the changes in fair values of the derivative financial asset/liabilities attached to the Company's convertible bonds in the principal amount of HK$40 million issued in the year and medium term bonds due in 2024 and 2031, and revaluation surplus of RMB6.7 million in fair market values of investment properties.

Taxation

Tax provision for corporate income tax chargeable on assessable profits of the Remaining Group for the year is insignificant.

Losses Attributable to Shareholders

The Company incurred a consolidated after-tax loss of RMB188.4 million for the year of which losses of RMB178.9 million were attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. Asset Base

		31 December 2015	**31 December 2014**
	Change in %	*RMB'000*	*RMB'000*
Total assets	56.7%	10,326,935	6,588,535
Net assets	–10.6%	1,563,390	1,749,705

Total assets, in aggregate of RMB10,326.9 million, expanded during the year in line with the business growth of the Remaining Group in real estate development. Properties under development, with total carrying costs of RMB6,115.6 million, is the biggest asset category of the total assets of the Remaining Group, Other assets include interests in Tianhe Project of RMB786.2 million, investment properties at fair market values totaling RMB570.1 million, properties for self-use, plant and equipment of RMB262.0 million, consideration receivable for the disposal of Tianhe Project of RMB105.0 million, restricted cash and pledged deposits of RMB922.7 million, cash and cash equivalents of RMB364.6 million, short-term investments of RMB460.0 million, and the remaining include trade deposits and receivables and balance of sale consideration receivable from HNA in respect of the disposal of the equity interest in Tianhe Project.

2. Capital structure and liquidity

The indebtedness of the Remaining Group aggregates to RMB2,772.4 million at the year-end date. Other than borrowings, indebtedness also include money market loans of RMB891.6 million due to banks which are guaranteed by letters of credits issued by banks and backed up by cash deposits of RMB452.0 million and short-term investments of RMB460.0 million placed with a commercial bank. Excluding these money market loans, the indebtedness of the Remaining Group amounted to RMB1,880.8 million at the year-end.

The gearing ratio, calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt), is 53.2% at the year-end date. The increase in the gearing ratio for the year reflects the rise in the Remaining Group's indebtedness for the financing of the development costs of the development projects.

The management has been carefully monitoring the indebtedness position, aiming to strike a balance between indebtedness and liquidity for ensuring the obligations of indebtedness and financial needs of the Group are taken care simultaneously. The Remaining Group has put reliance on borrowings to sustain its operation in the past years to sustain the development of the projects on hand Notwithstanding, the management points out that the Remaining Group's existing property portfolio will realize handsome liquidity from property sales in the coming years and profits realized from contracted sales when completed properties are delivered in the coming years 2016 through 2022. This will no doubt strengthen the cash and equity position of the Remaining Group to support its acquisitions of new development projects.

	Change in %	**31 December 2015** *RMB'000*	**31 December 2014** *RMB'000*
Current assets *(A)*	94.9%	9,481,316	4,865,289
Current liabilites *(B)*	174.6%	7,835,535	2,853,495
Current ratios *(A/B)*	–29.2%	1.21	1.71

Current assets, totaling RMB9,481.3 million as at the year-end date, show a 94.9% increase than that on last year-end date. The increase in current assets is mainly due to the increased development costs incurred in projects and the increase in cash received from presales.

Total current liabilities at the current year-end amounted to RMB7,835.5 million, representing an increase of 174.6% from last year-end date. The increase in current liabilities is mainly due to the increased pre-sale proceeds received, borrowings that become repayable within one year, the reclassification of sale consideration received from the buyer of the Tianhe Project to current liabilities when the project is scheduled for completion in early 2016 and the increased in liabilities to contractors as a result of the expansion in development activities during the year.

The current ratio, being 1.21 times at the year-end, indicates theoretically a tightened liquidity position as a result of the increased current liabilities as at the year-end date. The increase in current liabilities mainly due to presale proceeds of RMB3,660.3 million and considerations received from a purchaser totaling RMB990.0 million for the disposal of the equity interests in Tianhe Project. These liabilities will be recognized as revenue upon the completion of the projects at specified timelines which the management targets to meet. In regard to the other current liabilities, thanks to the stronger liquidity generated from the presale and sale activities in foreseeable periods, the management foresees that the short-term indebtedness can be sufficiently served by the current assets of the Remaining Group.

3. Borrowings and pledge of assets

The land and construction works-in-progress in Zhoutouzui Project, the commercial units at AXA Centre and office premises at HNA Tower, and certain units at the commercial podium in Tianyu Garden Phase II are mortgaged in favour of commercial banks and the beneficiary of a trust to secure for financing facilities granted to the Remaining Group for its general working capital. In addition, all the issued shares of GZ Zhoutouzui, a subsidiary holding the equity interest in Zhoutouzui Project, are charged as security in favor of a lender and a convertible bond issued to a financial institution in 2015. As at the year-end date, the outstanding balances of these secured indebtedness amounted to RMB2,402.5 million whilst the pledged assets and the underlying assets represented by these securities carried an aggregated realizable value of estimated at approximately RMB7,425.3 million measured by open market values as at the year-end date. The securities provide sufficient leverage to the creditors. The Remaining Group is well backed by sufficient assets in its indebtedness.

Contingent Liabilities

On 28 July 2015, a legal action was raised against Yucheng, the project company of Zhoutouzui Project, by a Guangzhou Port Group Carrier Services Co., Limited (廣州港集團客運服務有限公司), a wholly-owned subsidiary of Port Authority, to claim for compensation in the amount of RMB20.0 million for the demolition and relocation of occupants of the site on which the properties are being developed. The claim was made pursuant to an agreement entered into with Port Authority and Yucheng on 18 September 2001 and as supplemented by an agreement dated 18 December 2003 entered into with Port Authority and Yucheng. The management considers that all demolition and relocation works have been completed and related costs fully settled by Yucheng. The claim is currently being dealt with out of court and is in the course of negotiations with the claimant and the project company. With the belief that the project company has legal grounds to contest against the claim, the directors have not made any made provision in the accounts of the Remaining Group to provide for the compensation claimed by the claimant.

Other than the above-mentioned, the Remaining Group had no other material contingent liabilities as at 31 December 2015.

Treasury Management

The Remaining Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing, property leasing, investment holding and administrative activities of the Remaining Group are carried out and denominated in HK or US dollars. At the year-end date, the Remaining Group has foreign currency denominated borrowings and financial derivatives equivalent to RMB1,739.8 million, and an overseas properties with carrying value equivalent to RMB190.7 million. The other assets and liabilities are mostly denominated in RMB.

Unlike the previous years, since August, 2015 and up to the year-end date, RMB have depreciated against HK and US dollars by 6.2%. Foreign exchange losses of RMB69.0 million were unrealised when the liabilities denominated in foreign currencies are converted at RMB in the financial accounts. Exchange differences arising from the consolidation of assets and liabilities of a subsidiary operated in Hong Kong as at the year-end date results to an unrealised exchange loss of RMB0.9 million. The loss is charged against the exchange reserve that forms part of the equity of the Company.

We expect that the volatility of the exchange rate of RMB will continue in the coming 2016 and further depreciation of RMB may happen, bringing negative impact on profitability of the Remaining Group when losses arise as foreign currency denominated indebtedness are converted into RMB upon repayment or at reporting period-ends. Whilst there is no natural hedge against the depreciation of RMB available to the Company in the meantime, the management will make every effort to refinance or reduce the foreign currency debts by RMB debts or taking financial instruments to manage the foreign exposure at reasonable costs so as to reduce the foreign currency exposure.

Risks Management

There are lots of risks that a business our management have to face and cope, in particular under a down-ward business cycle where property sales are low and unpredictable that may lead to illiquidity in cash flows. In addition, as a mainland real estate developer, we have to face lots of uncertainties led by changes of government regulations. Assessing regularly the possible risks and uncertainties and their impacts on the business and operational environment, the management will from time to time develop strategies to alleviate the impacts of these risks and uncertainties. During the financial year, we have set up a risk management committee that help formulate procedures at the senior management to identify risks, both existing and new, and develop appropriate policies to encounter the risks in priority of the significance of impacts.

Employees

The Remaining Group recruits suitable staff in capable caliber to fill vacancies created as a result of the growing business. As at 31 December 2015, including four executive directors of the Company, the Remaining Group employed a total of full-time 540 staff, of which 140 work in site offices, 166 in the head office in Guangzhou and office in Hong Kong for central management and supporting work in the property development business and 234 full-time staff in the property management offices in Guangdong and Nanning. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by bonuses benchmarked on performance targets and options to acquire shares of the Company. Besides, training programs are offered to management trainees and staff at all levels. Remuneration packages are aligned with job markets in the business territories where the staff are located.

FOR THE YEAR ENDED 31 DECEMBER 2014

Business review

The year of 2014 has been a difficult year to most of the property developers. As reported by the National Bureau of Statistics (NBS) *(note)*, growth in China's real estate investment slowed to 10.5% in 2014 (2013: 19.8%) from a year earlier, while revenue from property sales dropped 6.3% on an annual basis, being dampened by the weakening property sector. In amidst of the slowing economy on mainland China, the sentiment in general consumption and, in particular, demand for properties which is more sensitive to economic ups and downturns, was adversely affected. In the earlier months of the year, the market generally perceived a hard landing and buyer sentiment of all regions in the country was low. Coupled with the vast supply of inventories, property developers were compelled to sell properties at suppressed margins. The property development business of the Remaining Group was affected by the sluggish demand in residential properties. Situation has been especially acute in the tier-3 and 4 cities where demand for properties was slack and inventories were built up as a consequence. In these regions, property prices are not sensitive to product quality, competition in property sales has been particularly keen, leading to high pressure in sale prices.

Facing the possible downturn and aiming to maintaining liquidity required for the Remaining Group's operation, the management had been striving to realize sufficient cash from projects which are regarded as not very efficient in earnings and cash generation. To monetize our portfolio effectively, apart from putting aggressively sale efforts in the properties in Nanning Skyfame Garden Project that was launched for presales during the year, the management disposed of the Remaining Group's entire equity interest in the final phase of the development in Guiyang Project and invited the participation of a 20% equity interest by a joint venture partner in Nanning Skyfame Garden Project to receive an aggregated cash proceeds of approximately RMB70.5 million.

Along with the continued improvements in market sentiment and release of pent-up demand in recent months, the management expects the market will gradually recover in 2015. To sustain growth of the Remaining Group's property development business in the next development cycle from 2018 onwards when all the Remaining Group's projects (except for the newly acquired Nanning Riverside Project) will be completed, the management targets to build up land reserves in selected regions in the first-tier cities and Nanning that are with solid market demand, and strong growth potential.

Note: Source: http://www.businessspectator.com.au/article/2015/1/20/china/chinas-slowing-growth-has-silver-lining

Property Portfolio

1. Properties under development and land reserves

Including the Guiyang Project (a project disposed during the year), the Remaining Group underwent or is undergoing a total of four real estate development projects in mainland China during the year. Up to the date of this report, adding on the new project with planned developable GFA of approximately 1,425,000 sq.m. situated at the riverfront in Nanning acquired in a public land auction on 4 February 2015, the Remaining Group's projects on hand renders a land reserve of a project total GFA of approximately 3,033,000 sq.m.

The details about the Remaining Group's projects on hand are summarised below:

Project	Location	Property type	Estimated project total developable GFA *sq.m.*	Estimated completion year	The Remaining Group's interest
Zhoutouzui Project	Guangzhou	Residential and commercial	320,000	2016 to 2017	72%
Tianhe Project	Guangzhou	Commercial	112,000	2016	*(Note)*
Nanning Skyfame Garden Project	Nanning	Residential, commercial and ancillary facilities	1,176,000	2016 to 2018	80%
Skyfame Nanning ASEAN Maker Town Project	Nanning	Composite	1,425,000	2018 to 2022	100%
Total			3,033,000		

Note:

Equity interests in the project was sold in 2010 and the Remaining Group resumes the role as the project manager of the project. Revenue and costs associated with the disposal will only be recognized in the consolidated profit or loss of the Company upon completion of the project.

Zhoutouzui Project

The project, named as "Skyfame Byland" ("天譽半島"), is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, Guangzhou Port Group Co., Limited (廣州港集團有限公司 "**Port Authority**"), an original user of the land who is entitled to share 28% in GFA of the completed properties pursuant to a joint venture agreement entered into in 2001. The legal title over the remaining 72% of the completed properties rests with the Group.

The site, opposite to the renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The project, situated on a site of 43,609 sq.m., will be a mixed-use development with a total GFA of approximately 320,000 sq.m., consisting of 7 towers comprising residential apartments, offices, serviced apartments, municipal and other facilities, underground car parking facilities and supporting commercial facilities.

Up to 25 February 2015, Tower A1 has been roofed, the mainframes of the other towers will be completed in 2015. The management expects that Tower A4 and A5 will be completed and started to be delivered to buyers in 2016, whilst Tower A2, A3, A6 and A7 delivered in 2017. Other than serviced apartments in Tower A1 that is currently planned to be held for long-term leasing, the residential units in other towers (with the exception of a total GFA of approximately 81,000 sq.m. in Tower A4, A5 and certain car parking spaces that are to be handed over to the Port Authority) are expected to be pre-sold in 2015 and years onwards. Pre-sale of residential units in tower A6 and A7 commenced in January 2015, and up to 25 February 2015, contracted sales of a total GFA of approximately 7,300 sq.m. have been made and deposits for contracted sales of approximately RMB181.4 million have been received.

Tianhe Project

The project, consisting of a GFA of approximately 112,000 sq.m. in two twin towers, is a mixed-use development that comprises a hotel, serviced apartments and offices situated in Tianhe District, a commercial business hub in central Guangzhou. The curtain walls of the two towers have been completed and currently interior decoration works are being carried out and electrical and mechanical appliances being installed.

Pursuant to an agreement entered into with Hainan Airline Hotel Holdings Group Co., Limited (海航酒店控股集團有限公司) ("**HNA Hotel**") as the purchaser in 2010, the equity interest in the project was sold to HNA Hotel at a gross consideration of RMB1.09 billion before deduction of finance and other costs to be borne by the Remaining Group. According to the disposal agreement, construction costs are to be borne by HNA Hotel whilst the Remaining Group resumes the role of a project manager and is responsible for the due completion of the properties at an agreed timeline of development and any overruns in construction costs.

Given the current progress of the development, the Directors expect that the project will be completed in mid-2016 and the sale transaction entered into in 2010 will then be fully recorded in the accounts of the Remaining Group.

Nanning Skyfame Garden Project

The project is situated in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. Commenced construction since the Remaining Group acquired the land use right from a land auction in the first quarter of 2014, the project is being developed into a residential district, namely "Nanning Skyfame Garden" ("南寧天譽花園"), with a total GFA of approximately 1,176,000 sq.m., consisting of GFA of approximately 887,000 sq.m. for residential and retail properties and other facilities for sale and a total GFA of approximately 289,000 sq.m. for compensated housing and commercial properties for the resettlement of the original occupants. The project is divided into five zones, namely Zone 3, 4, 5, 6 and 7.

Up to 25 February 2015, all zones are under construction. Presales of property units in Zone 3 of GFA of approximately 78,000 sq.m. have commenced and contracted sales totaling approximately RMB185.0 million, representing 42.2% in GFA, have been made up to 25 February 2015 and handing-over to buyers is scheduled to commence in the fourth quarter of 2016. The management also plans to commence presale of some areas in Zone 4 and 5 with scheduled physical delivery to buyers by phases through late 2016 to 2018. GFA of 263,000 sq.m. in Zone 4, 6 and 7 will be delivered to original land occupants for resettlement properties for which deposits totaling approximately RMB993.2 million were received from the district government during the year. In addition, deposits of approximately RMB179.9 million have been received from interested group buyers.

Skyfame Nanning ASEAN Maker Town Project

In February 2015, the Remaining Group succeeded in a public auction for the land use rights of three land plots of site area of 194,220.95 sq.m. (equivalent to 291.33 mu) located at the north of Wuxiang Da Road, Wuxiang New Zone (五象新區), Liangqing District, Nanning, Guangxi province, the People's Republic of China province at an aggregate consideration of approximately RMB705.0 million. The development is planned to be a composite project that comprises residential and commercial properties of shopping mall, hotel, offices, car parks for sale and leasing and other ancillary facilities with a planned total GFA of approximately 1,425,000 sq.m.. Based on the latest design plans, a total saleable area in GFA of approximately 1,382,000 sq.m. will be developed of which GFA of retail properties, consisting of shopping mall and street-front shops is approximately 93,000 sq.m., offices is approximately 427,000 sq.m., hotel is approximately 45,000 sq.m., leisure and entertainment facilities is approximately 33,000 sq.m., residential properties is approximately 492,000 sq.m., and car parking spaces is approximately 292,000 sq.m.. To fulfil the condition of the grant of land, the directors determine that a total GFA of approximately 50,000 sq.m. of retail properties shopping mall will be held for a holding period of not less than 20 years. The remaining saleable area will be developed for sale. Preliminary development works will be commenced in the first half of 2015 right after the signing of the land transfer contract.

2. Investment properties

The Remaining Group also holds two investment properties for regular leasing income with details as follows:

A 19,800 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou of which 17,300 sq.m. is leased to tenants with an open market value at RMB447.0 million as at 31 December 2014. The leased property was 94.3% occupied as at 25 February 2015. The occupancy rate has recovered when new tenancies are made after the ex-tenants moved out upon the expiry of the leases in 2013. The other 2,500 sq.m. is occupied by our property management team.

A total of 14,500 sq.ft. office premise at AXA Centre in Wanchai, Hong Kong was acquired by the Remaining Group in April 2013, of which GFA of 8,800 sq.ft. are leased to third party tenants and the remaining for self-use. The leased property units are revalued at an open market value of approximately RMB109.5 million (approximately HK$138.8 million) as at 31 December 2014.

Business Outlook

After slowing property performance in the earlier periods in 2014 across most cities in the nation, both in volume and selling prices, there shows small rebounds in recent months in the fourth quarter of 2014 in tier-1 and 2 cities whilst the markets in tier-3 and 4 cities are still gloomy. The bottomin-out in recent months was supported by the lowering housing mortgage rates by mortgage banks that helps boost mortgage loans and stimulated demand. With the relaxation of government intervention policies in many cities during 2014, the management expects that the home purchase restriction in the remaining four cities, including Guangzhou, will come to the end soon and there will be no more new tightening measures but supportive financial and administrative policies such as further relaxation of housing mortgage application requirement, tax cuts and the general loosening in bank lending. The Directors view that the coming year is likely to be a year of recovery for the property sector in which buying sentiment is restored, resulting in moderate rising property prices and trading volumes.

From the perspective of the Company, the coming years in 2015 and onwards are years of harvest when all projects on hand, except the newly acquired Skyfame Nanning ASEAN Maker Town Project, will be put up for pre-sale in 2015. Amongst all, Zhoutouzui Project, being a sizable upmarket project in Guangzhou, is particularly a cash cow that will remarkably improve the Remaining Group's liquidity position. As a result, the Remaining Group can then ride on the stronger asset backing position and improved liquidity to enhance the Remaining Group's ability to finance new land acquisitions for maintaining a growth momentum to the Remaining Group in the future years. The operating performance in property sales in the forthcoming years from the two projects in Zhoutouzui and Tianhe in Guangzhou and the two projects in Nanning is well expected to be promising. It will induce a strong turnaround in the Remaining Group's bottom line earnings.

The Directors are keen to maintain a steady growth in both the property sales and earnings to the Remaining Group that will ultimately enhance the intrinsic value of the shares of the Company to its shareholders. To achieve such objectives, the management is continuously reviewing the performance of existing projects and takes proactive actions to monetize the less performing projects. In addition, strategies in land and project acquisition are reviewed from time to time in order that a careful and selective approach is adopted that is geared to the potential for demand for properties in those cities. In the coming years, the Remaining Group will concentrate on project development in first-tier cities or coastal cities like Nanning where the property markets are firm and solid. At the same time, more managerial measures are being put in place to develop clearly defined performance targets to drive staff at all levels.

Financial Review

Sales Turnover and Margins

Due to the low volume of properties delivered in the year, turnover for the year amounted to RMB14.0 million which was represented by 2,600 sq.m. in GFA of high-rise apartments in Guiyang Project delivered during the year prior to the project being disposed by the Remaining Group in mid-2014. The gross margin for property sales for the year is 34.5% for the year.

The Remaining Group's secondary line of business, the leasing of properties from mainly the commercial podium at Tianyu Garden Phase II in Guangzhou and offices at AXA Centre in Wanchai, Hong Kong, contributed a total revenue of RMB18.0 million, a drop of 17.2% from last year. The leasing income has been a relatively stable contributor in both revenue and margin. Having said, however, leasing income for the year declined as a result of the casual vacancies and some areas being turned to be self-occupied during the year. The margin of this income stream is 84.2%.

The Remaining Group acquired the entire equity interests in a property management company to promote horizontal integration in 2014. The sector provides a relative stable income of RMB25.4 million for the year with a margin of 76.3%.

Though the margin of property sold during the year is low, the overall gross margin of the Remaining Group for the year is 68.6%, which is higher than the margin for 2013. The reason is due to the fact that property sales, a comparatively lower margin income earner, represented less in proportion to the Remaining Group's overall turnover for the year than that in 2013.

Operating Expenses

As a result of the launching of pre-sale marketing activities in Nanning Skyfame Garden Project, sales and marketing expenses, consisting of advertising, promotions, agent commission and marketing staff costs, surged to RMB18.3 million. Administrative and other operating expenses amounted to RMB96.0 million. Staff costs, being the biggest item in total operating expenses for the year, amounted to RMB51.0 million. The rise in staff costs is a combined effect of the increase in staff headcount due to the expansion in the property development team and the property management team in the property management business newly acquired.

Finance Costs

The Remaining Group's additional borrowings in the year were mostly utilized to finance the acquisition of land in Nanning Skyfame Garden Project and construction of projects. Finance costs, including arrangement fees, incurred during the year amounted to RMB224.6 million. Most finance costs incurred were capitalized as costs of those projects under development whilst only RMB1.9 million was charged against the profit for the year.

Non-operating Items

Non-operating items include: (a) decline in fair values of investment properties of RMB38.8 million; (b) the net decrease of RMB1.7 million in the fair values of the derivative financial liabilities embedded in the rights attached to the Company's exchangeable bonds issued to the subscriber of the bonds to empower the bondholder the rights to exchange the bonds for the equity interests in Guangzhou Zhoutouzui Development Limited, a holding company of the project company engaged in the development of Zhoutouzui Project, together with the rights to put the exchanged shares to the Company and the Company's right to buy the exchanged shares back; and (c) the losses incurred in the disposal of the Remaining Group's equity interests in the project company of and the management property company servicing the Guiyang Project to third parties. The disposals incurred losses totaling RMB15.8 million for the year.

Taxation

The overprovision in taxation of RMB11.7 million is mainly a result of the decline in the value of investment properties in Guangzhou which was provided in previously years when the values of such properties rose.

Losses/Profits Attributable to Shareholders

The relatively low turnover during the year whilst operating costs remaining at high level has negatively impacted the operating results of the Company for the year. The Company incurred a consolidated after-tax loss of RMB101.6 million for the year of which losses of RMB95.7 million were attributable to the shareholders of the Company.

Liquidity and Financial Resources

1. Asset Base

		31 December 2014	**31 December 2013**
	Change in %	*RMB'000*	*RMB'000*
Total assets	40.8%	6,588,535	4,678,012
Net assets	–7.4%	1,749,705	1,889,582

Properties under development is the biggest asset category of the total assets of the Remaining Group, Other assets include interests in Tianhe Project, investment properties, property, plant and equipments, restricted and pledged deposits, cash and cash equivalents, and consideration receivable from HNA. Total assets increase in pace with the development stages of the projects when the Company invested more in the development costs during the year. The decrease in net assets is attributed by the loss for the year and the decreased interests held by non-controlling shareholders in projects as a result of disposal of Guiyang Project.

2. Capital structure and liquidity

The indebtedness of the Remaining Group aggregates to RMB2,131.6 million at the year-end date. The increase is driven by the increased borrowings to meet with the construction costs of the Remaining Group's ongoing projects and acquisition cost of Nanning Skyfame Garden Project during the year.

The gearing ratio (calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt) is 49.5% at the year-end date. The increase in the gearing ratio reflects the rise in the Remaining Group's indebtedness to finance the needs of the ongoing development projects and new acquisition. In light of all projects under construction going into pre-sale stage in 2015, the management perceives that the Remaining Group has sufficient liquidity to confront with the debt commitments at maturity.

	Change in %	31 December 2014 RMB'000	31 December 2013 RMB'000
Current assets *(A)*	66.6%	4,865,289	2,920,037
Current liabilites *(B)*	158.4%	2,853,495	1,104,326
Current ratios *(A/B)*	–35.2%	1.71	2.64

Current assets, totaling RMB4,865.3 million as at the year-end date, show an increase of 66.6% from last year-end. The increase in current assets is due to acquisition of Nanning Skyfame Garden Project and the increase in cash received from presales and deposits placed by buyers for properties to be sold.

Total current liabilities at the current year-end amounted to RMB2,853.5 million, representing an increase of 158.4% from last year-end. The increase in current liabilities is mainly due to increase pre-sale deposits and bank borrowings which are repayable within one year.

The current ratio, which is 1.71 times at the current year-end, indicates tightened liquidity as more indebtedness are becoming mature in the coming year. The management is monitoring the projected cash position of the Remaining Group from time to time to ensure appropriate control measures are put in place to assure a stable liquidity position.

3. Borrowings and pledge of assets

The land and construction works-in-progress in Zhoutouzui Project, the premises at AXA Centre and commercial podium in Tianyu Garden Phase II and office premises at HNA Tower are mortgaged in favour of commercial banks and the beneficiary of a trust to secure for financing facilities granted to the Remaining Group for general working capital and construction costs. In addition, share charge over the entire issued shares of GZ Zhoutouzui, a subsidiary holding the equity interest in Zhoutouzui Project, is secured against the exchangeable bonds issued to a financial institution. Comparing the market values of the charged assets offered to creditors with the related indebtedness outstanding, the management considers that the Remaining Group has adequate asset backing to serve the leverage requirement of its creditors.

Contingent Liabilities

The Remaining Group had no material contingent liabilities as at 31 December 2014.

Treasury Management

The Remaining Group's principal business in property development are conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries, whilst certain financing, property leasing, investment holding and administrative activities of the Remaining Group are carried out and denominated in HK dollars.

During the year and up to the year-end date, RMB depreciated against HK and US dollars by 0.3%. Foreign exchange losses totaling RMB1.0 million were realised when foreign transactions were transacted in Hong Kong dollars. Exchange differences arising from the consolidation of assets and liabilities of some subsidiaries operated in Hong Kong results to an exchange loss of RMB0.3 million as at 31 December 2014. The loss is charged against the exchange reserve that forms part of the equity of the Company. The management expects that most of the business activities are denominated in RMB and the exchange exposures are therefore immaterial. The management does not perceive the exchange fluctuation will have material effect on the Remaining Group. Therefore, no control measure is taken to hedge against exchange risks. In addition, it is the Remaining Group's policy not to enter into derivative activities for speculative objectives.

Employees

To keep pace with the growth of the Remaining Group, the Remaining Group recruits suitable staff in capable caliber from time to time. As at 31 December 2014, including the three Executive Directors, the Remaining Group employed a total of 520 staff, of which 102 full-time staff working in site offices for daily site operations and 149 in management offices in Guangzhou and Hong Kong for central management and supporting services in the property development business, as well as 269 full-time staff for property management working in property management offices in Guangdong, Guangxi and Hunan provinces. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by bonuses benchmarked on performance targets. Besides, training programs are offered to management trainees and staff at all levels. Remuneration packages are aligned with job markets in the business territories where the staff are located.

FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS REVIEW AND OUTLOOK

Business review

For the year, the Remaining Group recorded sales of properties contributed by the delivery of properties in Guiyang Project Phase II of RMB653.5 million. Property sales constituted to 96.7% of total revenue for the year. The Remaining Group's secondary line of business, the leasing of properties from mainly the commercial podium of Tianyu Garden Phase II in Guangzhou and AXA Centre in Wanchai, Hong Kong, contributed revenue of RMB21.7 million to the Remaining Group. The increase in leasing income from 2012 was caused by the leasing of the newly acquired AXA Centre during the year which outweighed the drop in rental income of Tianyu Garden Phase II led by the moving out of a key tenant upon the expiry of the lease during the year.

Gross margin in property sales for the year was 17.1%, remains at a relatively low level as a result of the low pricing strategy to counter the tense price competition in the property market in Guiyang. Due to the higher proportion of revenue in property sales in the year that bears a lower margin than the leasing activities, overall gross margin for the year dropped to 19.2%.

In operating expenses, sales and marketing expenses of RMB14.1 million were incurred in advertising, promotions and agent commission when the third phase of Guiyang Project started pre-sale in the year. Administrative and other operating expenses, amounting to RMB61.9 million, consist of mainly staff costs.

During the year, the Remaining Group enjoyed net exchange gain of RMB8.0 million as a result of the appreciations of RMB against HK dollar and US dollar in which some corporate loans are denominated.

Alongside with the Remaining Group's increased borrowings to finance the construction of projects and the obtaining of corporate debts at higher finance costs, finance costs incurred during the year rose to RMB74.0 million. Due to the fact that the financing is mostly used for the development of all projects, most of the finance costs incurred were capitalised as development costs. Finance income of RMB28.3 million grew as a result of the interest income of RMB18.4 million received during the year from the purchaser of the equity interests in Tianhe Project for default in settlement of the overdue installment of consideration receivable for the disposal.

Non-operating items include the changes in fair values of investment properties of RMB36.1 million and gain of RMB4.2 million recognised on early redemption of an unsecured promissory note at principal value of HK$96 million. In addition, due to the improved net realisable values and adjustments on the saleable areas of the properties held for sale in Guiyang Project, there resulted in a total gain of RMB23.6 million. The impact from these gains were offset by the net increase of RMB4.0 million in the fair values of the derivative financial liabilities embedded in the warrants issued by the Company to the lender of a secured loan of HK$298 million (RMB236.3 million) in 2012 for a guaranteed return of HK$29.8 million (RMB23.6 million) and the rights attached to the exchangeable bonds issued by the Company to a financial institution in principal value of HK$298 million (RMB236.3 million) in 2013 to empower the bondholders the rights to exchange the bonds for the equity interests in Guangzhou Zhoutouzui Development Limited ("**GZ Zhoutouzui**"), the rights to put the shares to the Company and the Company's right to buy back the shares.

The Company turned around from loss in 2012 to an after-tax profit of RMB69.7 million for the year attributable to the shareholders of the Company.

Properties under development and land reserves

Adding to the land for the development of the Nanning Tianyu Garden which was acquired in January 2014, the Remaining Group is undergoing four real estate development projects in mainland China during the year. Up to the date of this report, the Remaining Group's projects on hand renders a land reserve for property development of a total GFA of approximately 2.1 million sq.m., all of which are now under construction.

Guiyang Project

The development, known as Tianyu City ("天譽城"), in which the Remaining Group holds a 55% stake, consists of high-end residential apartments of a total GFA of approximately 460,000 sq.m. for residential apartments and 132,000 sq.m. for commercial complex, community facilities and carparking spaces. Properties in the first and second phases of the development in GFA of approximately 253,000 sq.m. have been completed of which nearly all residential units were sold and delivered to customers. The remaining third phase of the project, consisting of five residential buildings, commercial units and carparking spaces of GFA of 245,000 sq.m., are under construction and is expected to be completed in 2014 and 2015 of which a GFA totalling of 99,801 sq.m. are now on pre-sale, contracting already 92.1% of the pre-sale area with contracted sums of approximately RMB426.4 million at the end of February 2014.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, 廣州港集團有限公司 (Guangzhou Port Group Co., Limited), an original user of the land who is entitled to share 28% in GFA of the completed properties pursuant to a joint venture agreement entered into in 2001 which stipulates that the Remaining Group has to finance all construction costs of the entire development.

The site, opposite to the renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The development on the site of 43,609 sq.m. consists of 7 towers of residential apartments, offices, service apartments and a commercial complex in a total GFA of approximately 320,000 sq.m., and underground car parking facilities in a total GFA of approximately 102,000 sq.m.. Up to the end of February 2014, construction is in full progress and three towers are built up to second floor and the others at the basement floors. Given the satisfactory progress of the construction, the management expects that pre-sales of some towers can be started in the second half of the year in 2014.

Tianhe Project

The equity interest in the project was sold to a third party in late 2010 at a gross consideration of RMB1.09 billion before deduction of finance and other costs that are to be borne by the Remaining Group which are yet to be ascertained. Taking into account the exchange of the overdue debt of RMB130.1 million with the ownership rights of the office premises at the 32nd and 33rd floors of HNA Tower, Tianhe District, Guangzhou in December 2013, payments for the consideration totalling RMB995.3 million have been received from the purchaser. Accordingly to the transaction agreement, construction costs are to be borne by the purchaser whilst the Remaining Group resumes the role of a project manager and is responsible for the due completion of the properties at agreed timeline and construction costs.

As the Remaining Group is obliged to bear overruns in construction costs and indemnify the timely completion of the construction of the properties, the criteria for recognition of revenue set out in the Hong Kong accounting standard has not been met but the revenue arising from the disposal be deferred and not yet recognised until when construction is close to completion and substantial part of the associated costs can be ascertained reliably.

The project, consisting of a GFA of approximately 113,000 sq.m. of two twin towers, will be developed into a hotel, serviced apartments and offices situated Tianhe District, a commercial business hub of the central city of Guangzhou. Up to the end of February 2014, the towers have been built up to 37 storeys though the progress had been adversely affected by the purchaser's delays in payments of construction costs owed to contractors. The management perceive that the responsibility of the delay is on the purchaser whilst the Remaining Group has properly carried out its obligations and hence no claim from the purchaser is foreseen. Given the current progress of the construction and the fact that financing for construction has been recently obtained by the purchaser from a commercial bank and the construction costs are expected to be duly settled, the directors expect that the construction can be completed in the third quarter of 2015 as the Remaining Group's latest work schedule when the sale transaction will be fully recorded in the accounts of the Remaining Group.

Nanning Skyfame Garden Project

In January 2014, the Remaining Group was successful in two tenders for two pieces of land in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. The project, recently named as "Nanning Tianyu Garden" ("南寧天譽花園"), will be developed into a residential development with a GFA of approximately 1,177,000 sq.m., consisting of GFA of approximately 888,000 sq.m. for residential and ancillary commercial and other facilities and GFA of approximately 289,000 sq.m. for compensated housing and commercial properties for resettlement of the original occupants. Construction works have been commenced and the management expects that the first phase of the project will be launched for pre-sale in the second half of the year 2014.

Investment properties

The Remaining Group also holds two investment properties for regular leasing income with details as follows:

A 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou with an open market value at RMB530.0 million as at 31 December 2013. At the date of this report, the property is now 63.4% occupied and tenanted with renowned corporations. The occupancy rate of the property during the year has been affected by the vacancy of floor areas when the US consulate, a key tenant of the premise, moved out upon the expiry of the lease. The property is revalued at an open market value of RMB530.0 million as at 31 December 2013.

A total of 14,500 sq.ft. office premise at the whole floor at AXA Centre in Wanchai, Hong Kong was acquired by the Remaining Group in April 2013. After the past tenant moved out upon maturity of the tenancy in December 2013, the property has been divided into five units of which two were leased in March 2014 and the remaining three units are currently vacant pending soliciting of new tenants. The property is revalued at an open market value of HK$230.0 million (approximately RMB180.8 million) as at 31 December 2013.

Outlook

The outlook of the economic growth of China and many emerging markets turned gloomy when the domestic output of China slowed down and the investment sentiment in the emerging markets went low amid the outflow of capital. However, property market on the mainland continued to outperform as evidenced by the record-high property selling prices and auction prices of lands in 2013. On the other hand, the central bank, being aggrieved by the galloping volume of off-balance sheet lending, has tightened capital to commercial banks, making lending on the mainland more difficult. To counter the uncertainty in the finance market on which the financing for acquisition of projects is relied, the Remaining Group is striving to maintain a solid financial position that enable the Remaining Group to obtain sufficient finance for the acquisition of projects so as to enlarge the land reserves of the Remaining Group and keep the business sustainable. At the date of this report, the Remaining Group has borrowings of RMB355.6 million and financing in a total of HK$596 million obtained from a secured loan extended to the Company in 2012 by a financial institution and an issue of secured bonds by the Company to the same group in 2013. In addition, pre-sales of the Guiyang Project have been providing sufficient working capital to finance the ongoing construction costs of the project, making the completion of the project beyond doubts.

The management plans to sustain a continuing growth in sales and earnings to the Company's shareholders and is therefore aggressive to replenish land for future development in the years to come but remains prudent to look for projects with relatively low acquisition costs and attractive earning potential. The project in Nanning demonstrates another good start-off in our expansion plan in southern China.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure and liquidity

During the year under review, the Company has issued secured bonds in a principal value of HK$298 million (RMB236.3 million) to a financial institution. The bonds, together with an existing loan with a principal amount of HK$298 million extended by the same group of entities in a financial institution, is secured by the entire issued shares of GZ Zhoutouzui, the immediate holding company of the project company holding the Zhoutouzui Project. Besides, the secured bonds are embedded with derivative financial liabilities comprising a right to the bondholders to exchange for some shares of GZ Zhoutouzui and a subsequent right to put the exchanged shares to the Company for redemption and the Company a right to call. The proceeds of the issue were used for general working capital of the Remaining Group and repayment of a money market loan of US$18.6 million and outstanding balance of a promissory note issued for the acquisition of the office premise at AXA Centre in Wanchai in the year. To finance the development of projects being undergone by the Remaining Group and the acquisition of AXA Centre, additional bank loans were drawn down during the year. At the year-end, the Remaining Group is indebted to commercial banks for term loans of an outstanding total of RMB283.5 million for the financing of the construction costs of the Remaining Group's projects, a term loan and revolving loan totaling RMB72.1 million due to a commercial bank for the financing of the acquisition of AXA Centre and general working capital of the Company, a secured loan and bonds with outstanding indebtedness totaling RMB452.8 million, advances from non-controlling shareholders of a subsidiary of RMB84.8 million and derivative financial liabilities embedded with the secured loan extended by a lender and bonds issued to a bondholder presented at fair values totaling RMB27.8 million. These indebtedness of the Remaining Group is aggregated to RMB924.1 million. The gearing ratio (calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt) is 27.8% at the year-end date. The management believes that the indebtedness level is still at a comfortably low level which the Remaining Group can meet with as when the relevant debts mature.

In the year, all development projects are in construction stage, building up development costs in properties under development to RMB1,893.1 million, whilst properties held for sale decreased to RMB173.4 million when completed properties in Guiyang Project were delivered to buyers during the year. Current assets totaled to RMB2,920.0 million as at the year-end date. Apart from the properties under development or held for sale, current assets comprise trade deposits paid to contractors and other deposits and receivable of RMB443.0 million, and bank balances totaling RMB280.7 million that include pre-sale proceeds of RMB57.7 million received from buyers that are restricted for payment of construction costs incurred in the related projects.

Total current liabilities at the current year-end decreased to RMB1,104.3 million. The decrease in current liabilities is mainly due to the decrease in pre-sale proceeds that have been recognised as revenue for the year when properties developed in Guiyang Project were delivered to buyers, and the repayment of advances made by the non-controlling shareholder of a subsidiary during the year. The current liabilities comprise pre-sale deposits of RMB424.4 million, outstanding secured loan of RMB228.8 million and current portion of bank borrowings of RMB72.1 million, current portion of the derivative financial liabilities totaling RMB24.0 million, advances from non-controlling shareholders of a subsidiary of RMB84.8 million, and miscellaneous items in trade payables, accruals, and income tax payable aggregated to RMB270.3 million.

The current ratio shows further improvement which is 2.64 times at the current year-end.

Borrowings and pledge of assets

The land and construction in progress in Guiyang Project and Zhoutouzui Project, the office premise at the AXA Centre are mortgaged to commercial banks to secure for financing facilities granted to the subsidiaries engaged in the development projects and investment property holding. The secured loan and exchangeable bonds in the aggregated outstanding principal value of HK$596 million were also secured by a share charge over the entire issued shares of GZ Zhoutouzui. In addition, the property units in Tianyu Garden Phase II and the office premises at HNA Tower were mortgaged to a financial institution for a trust loan facility of RMB500.0 million granted to a subsidiary. As at 31 December 2013, bank loans in an aggregate amount of RMB355.6 million are outstanding whilst the trust loan facility was not yet drawn down.

Foreign Currency Management

The Remaining Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing, investment holding and administrative activities of the Remaining Group are denominated in HK dollars.

During the year, RMB has been in mild appreciations against HK and US dollars. Foreign exchange gains were realized when transactions relating to the Hong Kong dollar denominated bonds and the leasing activities of the investment property in Hong Kong were transacted in Hong Kong dollars. Exchange differences arise on consolidation of assets and liabilities of some subsidiaries operated in Hong Kong which carry their books in HK dollars, resulting to an exchange gain of RMB0.3 million as at 31 December 2013 that is added to the exchange reserve, forming part of the equity of the Company. The directors perceive that RMB will, in a longer run, still generally move in upward movements against HK dollars and foresee the Remaining Group has no significant adverse foreign currency exposure in the future. In the event of a depreciation of RMB against these foreign currencies, given the comparatively low levels of indebtedness and activities in which the HK dollars are denominated, such fluctuations will not have material unfavourable effect on the financial position of the Remaining Group. For these reasons, the

Remaining Group does not hedge against its foreign currency risk. However, the management will closely monitor the currency exposures from time to time for any permanent or significant changes in the exchange rates in RMB against the HK dollars that may lead to adverse impact on the Remaining Group's results and financial position.

Contingent Liabilities

The Remaining Group had no material contingent liabilities as at 31 December 2013.

EMPLOYEES

To keep pace with the growth of the Remaining Group, the Remaining Group is recruiting suitable staff in capable caliber from time to time. As at 31 December 2013, other than the Executive Directors, the Remaining Group employed 214 full-time staff working in site offices for property development and back offices in Hong Kong and Guangzhou for supporting services and central management. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by bonuses benchmarked on performance targets. Remuneration packages are aligned with job markets in the business territories where the staff is located.

7. RECONCILIATION BETWEEN BOOK VALUE OF UNSOLD PROPERTIES

Reconciliation between book value of the Unsold Properties as at 30 June 2016 to the fair value of the Unsold Properties as at 31 August 2016:

	Unsold properties *RMB'million*
Carrying value of the Unsold Properties as at 30 June 2016 (at the consolidated level) *(Note)*	191.1
Less: Properties of YZ Tianyu sold and delivered from 1 July 2016 to 31 August 2016	(8.6)
Add: Valuation surplus of Unsold Properties as at 31 August 2016	151.5
Valuation of Unsold Properties as at 31 August 2016	334.0

Note: The difference between the carrying value of the Unsold Properties of approximately RMB189.2 million at the financial statements of YZ Tianyu and approximately RMB191.1 million at the consolidated financial statements of the Company principally comprises the aggregate finance costs capitalised at consolidated level of approximately RMB2.2 million and elimination of the site expenses of approximately RMB0.3 million charged by Yu Jun to YZ Tianyu up to 30 June 2016.

SUMMARY OF UNAUDITED FINANCIAL INFORMATION

Set out below are the unaudited statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of YZ Tianyu for the three years ended 31 December 2013, 2014, 2015 and for the six months ended 30 June 2015 and 2016 ("**Relevant Periods**"), and statements of financial position of YZ Tianyu as at 31 December 2013, 2014 and 2015 and 30 June 2016, as extracted from the financial information of YZ Tianyu, and certain explanatory notes (the "**Unaudited Financial Information**"). The Unaudited Financial Information has been presented on the basis set out in Note 2 and prepared in accordance with the accounting policies adopted by Skyfame Realty (Holdings) Limited (the "**Company**") as shown in its annual report for the year ended 31 December 2015 and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this Circular in connection with the Disposal. The Company's auditor, BDO Limited, was engaged to review the financial information of the YZ Tianyu set out in pages II-1 to II-6 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has issued an unmodified review report.

(a) The statements of profit or loss and other comprehensive income of YZ Tianyu for the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	–	102,106	269,427	113,280	65,288
Cost of sales and services	–	(103,237)	(262,332)	(112,037)	(74,770)
Gross (loss)/profit	–	(1,131)	7,095	1,243	(9,482)
Other income	–	23	794	–	251
Sales and marketing expenses	(5,325)	(4,280)	(3,234)	(1,850)	(1,564)
Administrative and other expenses	(6,321)	(4,895)	(13,798)	(2,340)	(4,277)
Write-down of properties under development/ properties held for sale	–	(29,402)	(18,736)	(8,637)	–
Finance income	121	261	155	112	25
Loss before income tax	(11,525)	(39,424)	(27,724)	(11,472)	(15,047)
Income tax expense	–	(3,385)	(8,927)	(3,754)	(2,162)
Loss and total comprehensive income for the year/period	(11,525)	(42,809)	(36,651)	(15,226)	(17,209)

(b) The statements of financial position of YZ Tianyu as at 31 December 2013, 2014 and 2015 and 30 June 2016 are as follows:

	As at 31 December			As 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets				
Property, plant and equipment	1,061	924	755	675
Current assets				
Properties under development	359,900	235,008	47,089	–
Properties held for sale	–	123,041	176,025	189,163
Prepaid income tax	5,950	11,148	–	–
Trade and other receivables	10,949	22,912	9,605	11,673
Short-term investments	–	29,000	–	–
Cash and cash equivalents	77,484	43,374	18,687	23,515
	454,283	464,483	251,406	224,351
Current liabilities				
Trade and other payables	30,226	5,040	31,540	41,321
Properties pre-sale deposits	146,967	213,340	50,098	22,984
Amount due to/(from) fellow subsidiary	69,781	(29,777)	933	–
Amount due to immediate holding company	60,070	5,681	219,836	224,620
Amount due to ultimate holding company	–	144,267	–	–
Income tax payable	–	–	2,839	6,395
	307,044	338,551	305,246	295,320
Net current assets/(liabilities)	147,239	125,932	(53,840)	(70,969)
Total assets less current liabilities	148,300	126,856	(53,085)	(70,294)
Non-current liabilities				
Bank and other borrowings	121,925	143,290	–	–
Net assets/(liabilities)	**26,375**	**(16,434)**	**(53,085)**	**(70,294)**
Capital and reserves				
Share capital	50,000	50,000	50,000	50,000
Reserves	(23,625)	(66,434)	(103,085)	(120,294)
Total equity/(deficit)	**26,375**	**(16,434)**	**(53,085)**	**(70,294)**

(c) The statements of changes in equity of YZ Tianyu for the Relevant Periods are as follows:

	Attributable to equity holders of YZ Tianyu			
	Share capital	Capital reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Year ended 31 December 2013				
At 1 January 2013	30,000	–	(12,100)	17,900
Loss and total comprehensive income for the year	–	–	(11,525)	(11,525)
Capital injection	20,000	–	–	20,000
At 31 December 2013	50,000	–	(23,625)	26,375
Year ended 31 December 2014				
At 1 January 2014	50,000	–	(23,625)	26,375
Loss and total comprehensive income for the year	–	–	(42,809)	(42,809)
At 31 December 2014	50,000	–	(66,434)	(16,434)
Year ended 31 December 2015				
At 1 January 2015	50,000	–	(66,434)	(16,434)
Loss and total comprehensive income for the year	–	–	(36,651)	(36,651)
At 31 December 2015	50,000	–	(103,085)	(53,085)
Six months ended 30 June 2015				
At 1 January 2015	50,000	–	(66,434)	(16,434)
Loss and total comprehensive income for the period	–	–	(15,226)	(15,226)
At 30 June 2015	50,000	–	(81,660)	(31,660)
Six months ended 30 June 2016				
At 1 January 2016	50,000	–	(103,085)	(53,085)
Loss and total comprehensive income for the period	–	–	(17,209)	(17,209)
At 30 June 2016	50,000	–	(120,294)	(70,294)

(d) The statements of cash flows of YZ Tianyu for the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities					
Loss before income tax	(11,525)	(39,424)	(27,724)	(11,472)	(15,047)
Adjustments for:					
Finance income	(121)	(261)	(155)	(112)	(25)
Depreciation of property, plant and equipment	143	168	169	87	80
Write-down of properties under development/properties held for sale	–	29,402	18,736	8,637	–
Operating (loss)/profit before working capital changes	(11,503)	(10,115)	(8,974)	(2,860)	(14,992)
Increase in properties under development	(112,434)	(118,992)	(138,373)	(46,015)	(40,811)
Decrease in properties held for sale	–	103,237	262,314	112,030	74,762
(Increase)/decrease in trade and other receivables	(5,320)	(11,963)	22,284	9,198	(3)
(Decrease)/increase in trade and other payables	(32,955)	(25,231)	26,827	(3,192)	9,781
Increase/(decrease) in properties pre-sale deposits	123,812	66,373	(163,242)	(56,069)	(27,114)
Cash (used in)/generated from operations	(38,400)	3,309	836	13,092	1,623
Income tax paid	(5,101)	(8,583)	(3,917)	(2,612)	(671)
Other borrowing costs paid	(4,758)	(811)	(610)	(610)	–
Interest paid	(6,905)	(9,575)	(5,749)	(4,802)	–
Net cash (used in)/generated from operating activities	(55,164)	(15,660)	(9,440)	5,068	952
Investing activities					
Interest received	121	261	155	112	25
Purchase of property, plant and equipment	(403)	(31)	–	–	–
Acquisition of short-term investments	–	(29,000)	(35,000)	–	–
Disposal of short-term investments	–	–	64,000	29,000	–
Net cash (used in)/generated from investing activities	(282)	(28,770)	29,155	29,112	25

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financing activities					
Capital injection	20,000	–	–	–	–
New bank borrowings	125,000	30,000	–	–	–
Repayment of bank borrowings	–	(10,000)	(145,000)	(16,000)	–
Advance from/(repayment to) ultimate holding company	–	144,267	(144,267)	–	–
(Repayment to)/advance from immediate holding company	(45,502)	(54,389)	214,155	10	4,784
Advance from/(repayment to) a fellow subsidiary	28,808	(99,558)	30,710	–	(933)
Net cash generated from/ (used in) financing activities	128,306	10,320	(44,402)	(15,990)	3,851
Net increase/(decrease) in cash and cash equivalents	72,860	(34,110)	(24,687)	18,190	4,828
Cash and cash equivalents at beginning of year/period	4,624	77,484	43,374	43,374	18,687
Cash and cash equivalents at end of year/period	77,484	43,374	18,687	61,564	23,515

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the three years ended 31 December 2015 and for the six months ended 30 June 2015 and 2016

1. General information

YZ Tianyu was established in the PRC on 27 July 2011 and is currently a 70% indirectly-owned subsidiary of the Company. The principal activity of YZ Tianyu is property development in the PRC.

On 27 September 2016, Yu Jun (an indirect wholly-owned subsidiary of the Company) (as the vendor) and GZ Tianyu (as the purchaser) entered into the Disposal Agreement, pursuant to which, among other things and subject to the terms and conditions set out in the Disposal Agreement, GZ Tianyu shall acquire the Sale Interest and the Sale Loan from Yu Jun at a cash consideration of, subject to adjustments, approximately RMB55.0 million and RMB224.6 million, respectively. The Sale Interest represents the 70% equity interest in YZ Tianyu held by Yu Jun and the Sale Loan represents the shareholder's loan owed by YZ Tianyu to Yu Jun. As at 30 June 2016, the Sale Loan amounted to approximately RMB224.6 million. Upon completion of the Disposal, the Company will not have any interests in YZ Tianyu and YZ Tianyu will cease to be a subsidiary of the Company.

2. Basis of preparation of the unaudited financial information

The Unaudited Financial Information of YZ Tianyu has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of the 70% interest of issued share capital of YZ Tianyu.

The Unaudited Financial Information has been prepared in accordance with the relevant accounting policies of the Company adopted in the preparation of its consolidated financial statements for the year ended 31 December 2015, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the relevant published annual reports of the Company for the Relevant Periods.

During the six months period ended 30 June 2016, YZ Tianyu incurred losses of approximately RMB17.2 million and as at 30 June 2016, YZ Tianyu had net current liabilities and net liabilities of approximately RMB71.0 million and RMB70.3 million respectively. Notwithstanding the above, the Unaudited Financial Information has been prepared on a going concern basis as the Company has confirmed to provide continuing financial support to YZ Tianyu so as to enable YZ Tianyu to meet its liabilities as and when they fall due.

A. THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE REMAINING GROUP

Basis of preparation and introduction

The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") presented below is prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate (a) unaudited pro forma consolidated statement of the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2016; and (b) unaudited pro forma consolidated statement of profit or loss and other comprehensive income and cash flow of the Remaining Group for the year ended 31 December 2015 as if the Disposal had been completed on 1 January 2015. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 30 June 2016 or at any future date had the Disposal been completed on 31 December 2015 or the results and cash flows of the Remaining Group for the year ended 31 December 2015 or for any future period had the Disposal been completed on 1 January 2015.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of the financial position of the Group as at 30 June 2016 extracted from the unaudited consolidated financial statements of the Group for the period ended 30 June 2016 as set out in the 2016 Interim Report, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015 as set out in the 2015 Annual Report of the Company, and the Unaudited Financial Information of YZ Tianyu after giving effect to the pro forma adjustments described in the notes and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

(a) Unaudited pro forma consolidated statement of financial position of the Remaining Group

	The Group as at 30 June 2016	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Non-current assets				
Property, plant and equipment	255,816	(675)	–	255,141
Investment properties	572,520	–	–	572,520
Goodwill	13,554	–	–	13,554
Derivative financial asset	127	–	–	127
	842,017	(675)	–	841,342
Current assets				
Properties under development	6,849,988	–	–	6,849,988
Properties held for sale	195,236	(191,085)	–	4,151
Consideration receivable	140,000	–	–	140,000
Loan to a non-controlling shareholder of a subsidiary	35,400	–	–	35,400
Trade and other receivables	623,879	(11,673)	–	612,206
Prepaid income tax	36,239	6,395		42,634
Restricted and pledged deposits	698,808	–	–	698,808
Cash and cash equivalents	875,364	(23,515)	55,024	1,125,087
			(1,400)	
			(5,006)	
			224,620	
	9,454,914	(219,878)	273,238	9,508,274

	The Group as at 30 June 2016	Pro forma adjustments relating to the Disposal		Unaudited pro forma Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Current liabilities				
Trade and other payables	1,042,322	(41,321)	–	1,001,001
Properties pre-sale deposits	5,544,387	(22,984)	–	5,521,403
Bank and other borrowings – current portion	567,477	–	–	567,477
Amount due to immediate holding company	–	(224,620)	224,620	–
	7,154,186	(288,925)	224,620	7,089,881
Net current assets	2,300,728	69,047	48,618	2,418,393
Total assets less current liabilities	3,142,745	68,372	48,618	3,259,735
Non-current liabilities				
Bank and other borrowings – non-current portion	1,188,216	–	–	1,188,216
Derivative financial liabilities	15,545	–	–	15,545
Deferred tax liabilities	168,651	–	–	168,651
	1,372,412	–	–	1,372,412
Net assets	1,770,333	68,372	48,618	1,887,323
Capital and reserves				
Share capital	24,456	–	–	24,456
Reserves	1,741,679	–	95,902	1,837,581
Equity attributable to owners of the Company	1,766,135	–	95,902	1,862,037
Non-controlling interests	4,198	21,088	–	25,286
Total equity	1,770,333	21,088	95,902	1,887,323

(b) Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group

	The Group for the year ended 31 December 2015	Pro forma adjustments relating to the Disposal			Unaudited pro forma Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 4)	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Revenue	306,321	(269,427)	2,560	–	39,454
Cost of sales and services	(272,393)	262,332	791	–	(9,270)
Gross profit	33,928	(7,095)	3,351	–	30,184
Other income and gains, net	1,402	(794)	–	–	608
Sales and marketing expenses	(46,000)	3,234	–	–	(42,766)
Administrative and other expenses	(137,516)	13,798	2,555	–	(121,163)
Unrealised exchange loss	(69,026)	–	–	–	(69,026)
Fair value changes in investment properties	6,736	–	–	–	6,736
Gain on disposal of a subsidiary, net of tax	–	–	–	57,559	57,559
Write-down of properties under development/properties held for sale	(20,024)	18,736	1,288	–	–
Fair value changes in derivative financial asset/liabilities	2,632	–	–	–	2,632
Finance costs	(1,813)	–	–	–	(1,813)
Finance income	21,198	(155)	–	–	21,043
Loss before income tax	(208,483)	27,724	7,194	57,559	(116,006)
Income tax expense	(23,781)	8,927	–	–	(14,854)
LOSS FOR THE YEAR	(232,264)	36,651	7,194	57,559	(130,860)
Other comprehensive income, items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on foreign operations	(891)	–	–	–	(891)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(233,155)	36,651	7,194	57,559	(131,751)

	The Group for the year ended 31 December 2015	Pro forma adjustments relating to the Disposal			Unaudited pro forma Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 4)	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Loss for the year attributable to:					
– Owners of the Company	(211,769)	25,656	7,194	57,559	(121,360)
– Non-controlling interests	(20,495)	10,995	–	–	(9,500)
	(232,264)				(130,860)
Total comprehensive income for the year attributable to:					
– Owners of the Company	(212,660)	25,656	7,194	57,559	(122,251)
– Non-controlling interests	(20,495)	10,995	–	–	(9,500)
	(233,155)				(131,751)

(c) Unaudited pro forma consolidated statement of cash flows of the Remaining Group

	The Group for the year ended 31 December 2015	Pro forma adjustments relating to the Disposal			Unaudited pro forma Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 4)	*(Note 5)*	*(Note 6)*	*(Note 7 & 8)*	
Operating activities					
Loss before income tax	(208,483)	27,724	7,194	57,559	(116,006)
Adjustments for:					
Finance costs	1,813	–	–	–	1,813
Finance income	(21,198)	155	–	–	(21,043)
Equity-settled share-based payment expenses	6,546	–	–	–	6,546
Depreciation of property, plant and equipment	13,086	(169)	–	–	12,917
Amortisation of leasehold land	3,407	–	–	–	3,407
Exchange gain, net	76,877	–	–	–	76,877
Fair value changes in financial derivative asset/liabilities	(2,632)	–	–	–	(2,632)
Impairment losses on trade and other receivables	210	–	–	–	210
Gain on disposal of a subsidiary, net of tax	–	–	–	(57,559)	(57,559)
Fair value changes in investment properties	(6,736)	–	–	–	(6,736)
Write-down of properties under development/properties held for sale	20,024	(18,736)	(1,288)	–	–
Operating loss before working capital changes	(117,086)	8,974	5,906	–	(102,206)
Increase in properties under Tianhe Project	(9,077)	–	–	–	(9,077)
Increase in properties under development	(1,551,395)	138,373	–	–	(1,413,022)
Decrease in properties held for sale	263,105	(262,314)	(791)	–	–
Increase in trade and other receivables	(41,019)	(22,284)	–	–	(63,303)
Increase in trade and other payables	143,131	(26,827)	–	–	116,304
Increase in properties pre-sale deposits	2,249,035	163,242	–	–	2,412,277
Cash generated from operations	936,694	(836)	5,115	–	940,973
Income tax paid	(83,641)	3,917	–	–	(79,724)
Other borrowing costs paid	(38,135)	610	–	–	(37,525)
Interest paid	(656,788)	5,749	–	–	(651,039)
Net cash generated from operating activities	158,130	9,440	5,115	–	172,685

	The Group for the year ended 31 December 2015	Pro forma adjustments relating to the Disposal			Unaudited pro forma Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 4)	*(Note 5)*	*(Note 6)*	*(Note 7 & 8)*	
Investing activities					
Interest received	22,880	(155)	–	–	22,725
Net cash inflow arising from the disposal of a subsidiary	–	–	–	125,415	125,415
Purchase of property, plant and equipment	(2,949)	–	–	–	(2,949)
Acquisition of short-term investments	(908,000)	35,000	–	–	(873,000)
Disposal of short-term investments	692,000	(64,000)	–	–	628,000
Increase in restricted and pledged deposits	(587,885)	–	–	–	(587,885)
Net cash used in investing activities	(783,954)	(29,155)	–	125,415	(687,694)
Financing activities					
New bank and other borrowings	2,360,401	–	–	–	2,360,401
Repayment of bank and other borrowings	(1,530,852)	145,000	–	–	(1,385,852)
Loan advanced to a non-controlling shareholder of a subsidiary	(20,400)	–	–	–	(20,400)
Advance from/(repayment to) ultimate holding company	–	144,267	–	(144,267)	–
(Repayment to)/advance from immediate holding company	–	(214,155)	–	214,155	–
Advance from/(repayment to) a fellow subsidiary	–	(30,710)	–	30,710	–
Net cash generated from financing activities	809,149	44,402	–	100,598	954,149
Net increase in cash and cash equivalents	183,325	24,687	5,115	226,013	439,140
Effect of foreign exchange rate changes	(1,175)	–	–	–	(1,175)
Cash and cash equivalents at beginning of year	201,105	–	–	–	201,105
Cash and cash equivalents at end of year	383,255	24,687	5,115	226,013	639,070

Notes:

(1) Figures are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2016 as contained in the 2016 Interim Report.

(2) The adjustments reflect the de-consolidation of the assets and liabilities of YZ Tianyu as at 30 June 2016, as shown in the financial information of YZ Tianyu in Appendix II to this circular, after taking into account certain consolidation adjustments as stated below and assuming that the Disposal had taken place on 30 June 2016:

		Consolidation adjustments		
	Per book of YZ Tianyu	**Elimination of intra-group transactions**	**Capitalised finance costs incurred by the Group**	**Consolidated balances attributable to the Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	675	–	–	675
Properties held for sale	189,163	(326)	2,248	191,085
Trade and other receivables	11,673	–	–	11,673
Cash and cash equivalents	23,515	–	–	23,515
	225,026	(326)	2,248	226,948
Trade and other payables	(41,321)	–	–	(41,321)
Properties pre-sale deposits	(22,984)	–	–	(22,984)
Income tax payable	(6,395)	–	–	(6,395)
	(70,700)	–	–	(70,700)
Net assets before inter-group current accounts	154,326	(326)	2,248	156,248
Loan from Yu Jun	(224,620)	–	–	(224,620)
Net (liabilities)/assets	(70,294)	(326)	2,248	(68,372)
Non-controlling interests	21,088	–	–	21,088
Net (deficit)/assets attributable to the Group	(49,206)	(326)	2,248	(47,284)

The consolidation adjustments represent finance costs capitalised as the development costs of unsold completed properties an aggregate amount of approximately RMB2.2 million incurred by the Group at corporate level and elimination of the site expenses of approximately RMB0.3 million charged by Yu Jun to YZ Tianyu up to 30 June 2016.

(3) The adjustments reflect the effects of the Disposal which include the transfer of shareholder's loan made from Yu Jun to YZ Tianyu under the Disposal Agreement at its carrying value which amounted to RMB224.6 million as at 30 June 2016. The Disposal will result to an estimated gain of approximately RMB95.9 million, assuming that the Disposal had taken place on 30 June 2016. The estimated gain is arrived at after taking into account the following factors:

- Cash consideration of approximately RMB55.0 million received from the disposal of 70% equity interest in YZ Tianyu net of transaction costs of approximately RMB1.4 million and income tax expenses of approximately RMB5.0 million, net consideration is estimated of approximately RMB48.6 million; and

- The net deficit of YZ Tianyu of approximately RMB68.4 million, having adjusted by the finance costs incurred by the Group at corporate level and capitalised as the development costs of the properties held for sale and site expenses charged by Yu Jun against YZ Tianyu, plus interest in the net deficit of YZ Tianyu shared by the non-controlling shareholders of approximately RMB21.1 million as at 30 June 2016, resulting to net deficit attributable to the Group of approximately RMB47.3 million for the Disposal.

(4) Figures are extracted from the audited consolidated statements of profit or loss and other comprehensive income and cash flow of the Group for the year ended 31 December 2015 as contained in the 2015 Annual Report.

(5) The adjustments reflect the de-consolidation of the results and cash flows of YZ Tianyu for the year ended 31 December 2015, as shown in the financial information of YZ Tianyu in Appendix II to this circular, assuming the Disposal had taken place on 1 January 2015, and the exclusion of the sharing of the Group's and non-controlling shareholders' interests in the operating results of YZ Tianyu in the consolidated statement of profit or loss and other comprehensive income.

(6) The adjustments reflect the exclusion of (i) property management services income of approximately RMB2.6 million that were charged by YZ Tianyu Property Management for the year ended 31 December 2015, (ii) finance costs capitalised as costs of properties held for sale of approximately RMB0.8 million that were charged to cost of sales when YZ Tianyu recognised sales upon the completed properties in YZ Tianyu Project were handed over to customers up to 31 December 2015, (iii) the property management fee of approximately RMB2.6 million charged by YZ Tianyu Property Management for the year ended 31 December 2015 and (iv) write-down of properties under development/properties held for sale of approximately RMB1.3 million.

(7) The adjustments reflect the effects of the Disposal which include the transfer of shareholder's loan made from Yu Jun to YZ Tianyu under the Disposal Agreement at its carrying value which amounted to approximately RMB120.2 million as at 1 January 2015. The Disposal will result to an estimated gain of approximately RMB57.6 million, assuming that the Disposal had taken place on 1 January 2015. The estimated gain is arrived at after taking into account the following factors:

- Cash consideration of RMB55.0 million received from the disposal of 70% equity interest in YZ Tianyu net of transaction costs of approximately RMB1.4 million and provision of income tax expenses of approximately RMB5.0 million, net consideration is estimated of approximately RMB48.6 million and

- The net deficit of YZ Tianyu of approximately RMB13.9 million, having adjusted by the finance costs incurred by the Group at corporate level and capitalised as the development costs of the properties under development and held for sale and site expenses charged by Yu Jun against YZ Tianyu, plus interest in the net deficit value of YZ Tianyu shared by the non-controlling shareholders of approximately RMB4.9 million as at 31 December 2014, resulting to net deficit attributable to the Group of approximately RMB8.9 million for the Disposal.

The assets and liabilities of YZ Tianyu as at 31 December 2014, as shown in the financial information of YZ Tianyu in Appendix II to this circular, after taking into account certain consolidation adjustments as stated below and assuming that the Disposal had taken place on 1 January 2015:

		Consolidation adjustments		
	Per book of YZ Tianyu	**Elimination of intra-group transactions**	**Capitalised finance costs incurred by the Group**	**Consolidated balances attributable to the Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	924	–	–	924
Properties under development	235,008	(1,149)	1,075	234,934
Properties held for sale	123,041	–	2,637	125,678
Short-term investments	29,000	–	–	29,000
Prepaid income tax	11,148	–	–	11,148
Trade and other receivables	22,912	–	–	22,912
Cash and cash equivalents	43,374	–	–	43,374
	465,407	(1,149)	3,712	467,970
Trade and other payables	(5,040)	–	–	(5,040)
Properties pre-sale deposits	(213,340)	–	–	(213,340)
Bank and other borrowings	(143,290)	–	–	(143,290)
	(361,670)	–	–	(361,670)
Net assets before inter-group current accounts	103,737	(1,149)	3,712	106,300
Loan from Yu Jun (including amount due to ultimate holding/fellow subsidiary)	(120,171)	–	–	(120,171)
Net (liabilities)/assets	(16,434)	(1,149)	3,712	(13,871)
Non-controlling interests	4,930	–	–	4,930
Net (deficit)/assets attributable to the Group	(11,504)	(1,149)	3,712	(8,941)

The consolidation adjustments represent finance costs capitalised as the development costs of properties under development (RMB1.1 million) and unsold completed properties (RMB2.6 million) in an aggregate amount of approximately RMB3.7 million incurred by the Group at corporate level and elimination of the site expenses of approximately RMB1.1 million charged by Yu Jun up to 31 December 2014.

(8) Net cash inflow arising from the disposal of a subsidiary is reconciled below:

	RMB'000
Cash and cash equivalents of disposal entity as at 1 January 2015	(43,374)
Proceeds from disposal for Sale Interest, net of transaction costs	48,618
	5,244
Consideration for Sale Loan	120,171
	125,415

(9) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

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

TO THE DIRECTORS OF SKYFAME REALTY (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Skyfame Realty (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding Yongzhou Tianyu Real Estate Development Company Limited (the "**Disposal Company**") (collectively the "**Remaining Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2016, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2015, and related notes as set out on pages III-1 to III-10 of the Company's circular dated 26 October 2016 (the "**Circular**"), in connection with the proposed disposal of the Disposal Company (the "**Transaction**") by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages III-8 to III-10 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Transaction had taken place at 30 June 2016 and at 1 January 2015 respectively. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2016, on which no review report has been published, and the Group's financial performance and cash flows for the year ended 31 December 2015 has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 31 December 2015, on which an auditor's report has been published.

Directors' Responsibility for the unaudited pro forma financial information

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

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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by 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 of the Company 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 Transaction at 30 June 2016 and at 1 January 2015 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 unaudited 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 entity, 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.

BDO Limited
Certified Public Accountants
Hong Kong, 26 October 2016

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Unsold Properties held by 永州市天譽房地產開發有限公司 (Yongzhou Tianyu Real Estate Development Company Limited) in the PRC as at 31 August 2016.

16/F Jardine House
1 Connaught Place
Central
Hong Kong

26 October 2016

The Directors
Skyfame Realty (Holdings) Limited
Unit 1401, 14th Floor
AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

Re: The Unsold Properties of a property development named as "Tianyu-huafu" (the "YZ Tianyu Project"), Lot No. cr2011-174, the junction of Yangming Avenue, Xiangkouguan Road and Lizhi Road, Lingling District, Yongzhou, Hunan Province, the PRC (the "Unsold Properties")

Instructions, Purpose & Valuation Date

In accordance with the instructions from Skyfame Realty (Holdings) Limited (the "**Company**") for us to prepare a market valuation of the Unsold Properties, held by 永州市天譽房地產開發有限公司 (Yongzhou Tianyu Real Estate Development Company Limited) ("**YZ Tianyu**"), an indirect 70%-owned subsidiary of the Company, in the People's Republic of China (the "**PRC**"); we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property in existing state as at 31 August 2016 (the "**valuation date**").

Definition of Market Value

Our valuation of the Unsold Properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("**IVSC**"). Market Value is defined by the IVSC 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 where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuation of the Unsold Properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Unsold Properties held in the PRC, with reference to the PRC Legal opinion of the legal adviser, 廣東瀛杜律師事務所 (Guangdong Yingdu Law Firm), we have prepared our valuation on the basis that transferable land use rights in respect of the Unsold Properties for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, dated 26 October 2016, regarding the title to the Unsold Properties and the interest in the Unsold Properties. In valuing the Unsold Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Unsold Properties and has free and uninterrupted rights to use, occupy or assign the Unsold Properties for the whole of the unexpired term as granted.

In respect of the Unsold Properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company, are set out in the notes in the valuation certificate.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Unsold Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Unsold Properties is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

In valuing the Unsold Properties, which is held by YZ Tianyu for sale in the PRC, we have adopted Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market, or where appropriate, Investment Approach by considering the capitalized rental derived from the existing tenancies with due provision of the reversionary rental potential.

In valuing the Unsold Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have been provided by the Company with extracts of documents in relation to the title to the Unsold Properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company in respect of the Unsold Properties in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Unsold Properties, tenancy details, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with copies of documents in relation to the current title to the Unsold Properties. However, we have not been able to conduct searches to verify the ownership of the Unsold Properties or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Unsold Properties in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Company.

Site Inspection

Our Guangzhou Office valuer, Andy He (MRICS and Registered China Real Estate Appraiser), has inspected the exterior and, wherever possible, the interior of the Unsold Properties on 6 September 2016. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Unsold Properties is free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Unsold Properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi ("**RMB**") which is the official currency of the PRC.

We attach herewith a valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 23 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Unsold Properties held for sale in the PRC

<table>
<tr><th>Unsold Properties</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 31 August 2016</th></tr>
<tr><td>The Unsold Properties of a property development named as “Tianyu-huafu”, (the “YZ Tianyu Project”), Lot No. cr2011-174, Junction of Yangming Avenue, Xiangkouguan Road and Lizhi Road, Lingling District, Yongzhou, Hunan Province, the PRC (the “Unsold Properties”)</td><td>The YZ Tianyu Project is named as “Tianyu-huafu” having a development site area of approximately 70,949.50 sq.m. The development of the YZ Tianyu Project has been completed in the years from 2014 to 2016.

The Unsold Properties comprise 75 high-rise apartment units, 46 villa units, 162 retail shop units and 491 car park spaces with a total gross floor area of 50,107.06 sq.m. with details as follows:

<table><tr><th>Uses</th><th>Approximate Gross Floor Area (sq.m.)</th></tr><tr><td>High-rise apartments</td><td>9,371.13</td></tr><tr><td>Villas</td><td>12,810.53</td></tr><tr><td>Retail shops</td><td>22,063.90</td></tr><tr><td>Car park spaces</td><td>5,861.50</td></tr><tr><td>Total</td><td>50,107.06</td></tr></table>
The YZ Tianyu Project is situated at the junction of Yangming Avenue, Xiangkouguan Road and Lizhi Road, Lingling District, Yongzhou, Hunan Province. The YZ Tianyu Project is located in the urban area of Lingling District which is about 25 km from Yongzhou. Developments nearby are mainly residential development with reasonable occupancy and steady property market. According to the Company, the Unsold Properties is planned for commercial and residential uses uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property.

According to the PRC legal opinion, the land use rights of the YZ Tianyu Project have been granted for a term from 19 December 2011 to 23 November 2081 for residential use; and from 19 December 2011 to 23 November 2051 for commercial use respectively.</td><td>As at the valuation date, portion of the retail shops, 96 units, with a total gross floor area of 7,272.81 sq.m., were leased out respectively mainly in 3 years with latest lease term due to expire in 2019 with a total current before tax fixed monthly rental of RMB38,536, which are without renew clauses and in line with the general market rental level.

The remaining portion was vacant.</td><td>RMB334,000,000

(70% interest attributable to the Company: RMB233,800,000)</td></tr>
</table>

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2011) 001042 dated 19 December 2011 issued by 永州市零陵區人民政府 (People`s Government of Lingling District of Yongzhou), the land use rights of the YZ Tianyu Project comprising a site area of 70,949.50 sq.m., has been vested in YZ Tianyu, an indirect 70%-owned subsidiary of the Company, for a term of 70 years expiring on 23 November 2081 for residential use; and 40 years expiring on 23 November 2051 for commercial use respectively.

(2) According to Grant Contract of State-owned Land Use Rights No. 055693 dated 23 November 2011, the land use rights of the YZ Tianyu Project has been granted with details as below:

Grantee:	YZ Tianyu
Lot No.:	cr2011-174
Site Area:	70,949.50 sq.m.
Property Use Term:	40 years for commercial; 70 years for residential
Property Premium:	RMB138,351,525
Plot Ratio:	<4.0

(3) According to 137 Building Ownership Certificates issue by Housing Bureau of Yongzhou, the building ownership of 825 apartment units and 165 retail shop units with a total gross floor area of 130,514.36 sq.m. have been vested in YZ Tianyu.

As advised by the Company, the said Building Ownership Certificates cover portion of the Unsold Properties.

According to the PRC legal opinion, those Unsold Properties without Building Ownership Certificate are qualified for processing the Building Ownership Certificate. YZ Tianyu is legally entitled to transfer, possess, use, lease and pledge the land use rights of the said Unsold Properties.

(4) According to 26 Construction Works Completion Acceptance Reports, the construction works of 37 buildings namely block No. 1 and Nos. 4 to 39 with a total gross floor area of 181,894.654 sq.m. has been completed.

(5) As advised by the Company, as at valuation date, 70 high-rise apartments units, 34 retail shop units and 2 car park spaces of the Unsold Properties, with a total gross floor area of approximately 11,392.96 sq.m., has been contracted for sale but not yet delivered for a consideration of RMB54,189,342; 4 high-rise apartments units and 5 car park spaces of the Unsold Properties, with a total gross floor area of approximately 542.32 sq.m., has been subscribed but not yet delivered for a consideration of RMB1,909,000. In the course of our valuation, we have taken into account the said contracted for sale and subscribed consideration.

(6) According to Business Licence No. 9143110057863267XD, YZ Tianyu was established as a limited liability company with a registered capital of RMB50,000,000 for a valid operation period from 27 July 2011 to 26 July 2061.

(7) According to the PRC legal opinion:

(i) YZ Tianyu has fully settled the land premium and obtained State-owned Land Use Rights Certificate;
(ii) the Unsold Properties is not subject to mortgage or easement;
(iii) during the land use term, YZ Tianyu is legally entitled to transfer, possess, use, lease and pledge the land use rights of the Unsold Properties; and
(iv) YZ Tianyu has obtained the relevant approval to carry out construction and development.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Building Ownership Certificate	Yes (Part)
Construction Works Completion Acceptance Report	Yes
Business Licence	Yes

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

Directors and chief executive

As at the 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 or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interests in the Shares or underlying Shares

Name of Director	Company / Associated corporation	Capacity	Number of Shares or underlying Shares *(Note 1)*	Approximate shareholding percentage *(Note 2)*
Mr. YU Pan	Company	Interest of controlled corporation and/or beneficial owner	1,674,028,407 (long)	63.98%

Notes:

1. These Shares comprised (i) 228,364,000 existing Shares; and (ii) 1,445,664,407 existing Shares held directly by Grand Cosmos Holdings Limited ("**Grand Cosmos**"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("**Sharp Bright**"), the entire issued share capital of which was held by Mr. YU Pan. Among the total of 1,674,028,407 Shares, 1,587,168,407 Shares were charged in favour of UBS AG, Singapore Branch pursuant to a security agreement dated 25 June 2016 in relation to a loan facility of US$60 million granted to the Company by UBS AG, Singapore Branch in June 2016.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 2,616,531,175 Shares in issue as at the Latest Practicable Date.

(ii) Interests in underlying Shares arising from share options

As at the Latest Practicable Date, the following Directors had interests as beneficial owners in options (the "**Options**") to subscribe for Shares granted under the share option scheme adopted by the Company on 4 August 2005 and 9 June 2015:

Name of Director	Exercise price *(HK$)*	Exercise period	Number of underlying Shares	Approximate shareholding percentage *(Note 3)*
Mr. WEN Xiaobing	0.6714	11 August 2002 to 10 August 2021 *(Note 1)*	5,213,097	0.20%
	1.0820	26 June 2016 to 25 June 2025 *(Note 2)*	8,000,000	0.31%
Mr. CHOY Shu Kwan	1.0820	26 June 2016 to 25 June 2025 *(Note 2)*	1,000,000	0.04%
Mr. CHENG Wing Keung, Raymond	1.0820	26 June 2016 to 25 June 2025 *(Note 2)*	1,000,000	0.04%
Ms. CHUNG Lai Fong	1.0820	26 June 2016 to 25 June 2025 *(Note 2)*	1,000,000	0.04%

Notes:

1. (i) First tranche (33.33% of the Options) is exercisable from 11 August 2012 to 10 August 2021;
   (ii) Second tranche (33.33% of the Options) is exercisable from 11 August 2015 to 10 August 2021; and
   (iii) Third tranche (33.34% of the Options) is exercisable from 11 August 2018 to 10 August 2021.

2. (i) First tranche (14.3% of the Options) is exercisable from 26 June 2016 to 25 June 2025;
   (ii) Second tranche (14.3% of the Options) is exercisable from 26 June 2017 to 25 June 2025;
   (iii) Third tranche (14.3% of the Options) is exercisable from 26 June 2018 to 25 June 2025;
   (iv) Fourth tranche (14.3% of the Options) is exercisable from 26 June 2019 to 25 June 2025;
   (v) Fifth tranche (14.3% of the Options) is exercisable from 26 June 2020 to 25 June 2025;
   (vi) Sixth tranche (14.3% of the Options) is exercisable from 26 June 2021 to 25 June 2025; and
   (vii) Seventh tranche (14.2% of the Options) is exercisable from 26 June 2022 to 25 June 2025.

3. For the purpose of this section, the shareholding percentage in the Company was calculated on the basis of 2,616,531,175 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange.

Substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons (not being Directors or chief executive of the Company), had an interest and/or short position in the Shares or underlying Shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or was otherwise interested in 10% or more of the aggregate number of Shares in issue:

Interests in the Shares or underlying Shares

Name of Shareholder	Capacity	Number of Shares and underlying Shares		Approximate shareholding percentage *(Note 2)*
Sharp Bright	Interest of controlled corporation	1,445,664,407 *(Note 1)*	(long)	55.25%
Grand Cosmos	Beneficial owner	1,445,664,407 *(Note 1)*	(long)	55.25%

Notes:

1. The 1,445,664,407 existing Shares were held directly by Grand Cosmos. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. YU Pan, Mr. YU Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. The 1,445,664,407 Shares held by Grand Cosmos together with 141,504,000 Shares held by Mr. YU Pan were charged in favour of UBS AG, Singapore Branch pursuant to a security agreement dated 25 June 2016 in relation to a loan facility of US$60 million granted to the Company by UBS AG, Singapore Branch in June 2016.

2. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 2,616,531,175 Shares in issue as at the Latest Practicable Date.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors and chief executives) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the aggregate number of Shares in issue.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Yu, the chairman of the Company, is also a director and substantial shareholder of a company listed on the Shenzhen Stock Exchange, namely 綠景控股股份有限公司 (Lvjing Holding Co., Ltd.*) ("**Lvjing**"). Lvjing has been principally engaged in real estate development and property management business in the PRC, but has changed its business focus to the medical and healthcare industry and wound down its real estate development business in recent years. Save as the aforesaid, none of the Directors and his/her respective close associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules).

Notwithstanding the foregoing, Mr. Yu has undertaken to the Company that for so long as he remains as a Director or a controlling Shareholder, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to property development, project management and property investment in the PRC (the "**Business Opportunities**") shall be referred by Mr. Yu to the Company on a timely basis and the Business Opportunities must be first offered or made available to the Group.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, except for the subject assets under the Disposal Agreement, none of the Directors had any interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, except for the Disposal Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular, which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or was proposing to enter into any service contracts with the Company or any member of the Group (excluding contracts expiring or being terminated by the Group within one year without payment of any compensation (other than statutory compensation)).

6. LITIGATION

In July 2015, a legal action was raised against 廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Company Limited) ("**Yucheng**"), the project company of Zhoutouzui Project, by Guangzhou Port Group Carrier Services Co., Limited (廣州港集團客運服務有限公司), a wholly-owned subsidiary of Port Authority, to claim for compensation in the amount of RMB20.0 million for the demolition and relocation of occupants of the site of Zhoutouzui Project. The claim was made pursuant to an agreement entered into with Port Authority and Yucheng on 18 September 2001 and as supplemented by an agreement dated 18 December 2003 entered into with Port Authority and Yucheng. Due to a problem about the legal identity of the claimant encountered, on 29 April 2016, the case was withdrawn by the claimant whilst Port Authority initiated another legal action with a revised claim of RMB12 million on 28 April 2016. A settlement agreement was reached between the parties on 1 September 2016 at a settlement amount of RMB9.8 million which was paid on 7 September 2016.

So far as the Directors are aware and save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

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

(a) a placing agreement dated 14 November 2014 entered into between the Company and Anglo Chinese Securities, Limited ("**Anglo Chinese**") in relation to the placing of a new 8% coupon bonds maturing 2031 (the "**2031 Bonds**") to be placed up to an extent of HK$2 billion;

(b) a deed poll executed by the Company on 14 November 2014 in relation to the issue of the 2031 Bonds;

(c) a registrar and transfer agent agreement dated 14 November 2014 entered into between the Company and MUFG Fund Services (Bermuda) Limited ("**MUFG**") in relation to the appointment of MUFG as registrar and transfer agent of the 2031 Bonds and a registrar addendum deed dated 14 November 2014 entered into between the Company, Anglo Chinese and MUFG in relation to the Company's assignment of all its rights to Anglo Chinese to give instructions to MUFG under the registrar and transfer agent agreement;

(d) a facility agreement dated 3 July 2015 entered into between the Company and Ample Mark Enterprises Ltd. ("**Ample Mark**") for the granting of HK$560,000,000 credit facility by Ample Mark to the Company which was secured by a share charge dated 23 July 2015 executed by Fortunate Start Investments Limited ("**Fortunate Start**") to the charge of all the shares of Guangzhou Zhoutouzui Development Limited ("**GZ Zhoutouzui**") in favour of Ample Mark;

(e) a subscription agreement dated 3 July 2015 and a bond instrument dated 23 July 2015 entered into between the Company, as issuer, and Ample Mark, as subscriber, in relation to the subscription and issue of HK$40,000,000 10% secured convertible bonds of the Company which was secured by the share charge dated 23 July 2015 executed by Fortunate Start to charge of all the shares of GZ Zhoutouzui in favour of Ample Mark to secure the convertible bonds;

(f) a termination agreement dated 20 November 2015 entered into between the Company and 湖南省永州市零陵區人民政府 (Government of Lingling District, Yongzhou, Hunan Province*) to terminate the development of the remaining phase of the whole project in Yongzhou;

(g) a placing agreement dated 17 May 2016 entered into between the Company and Manson Securities Limited in relation to the best-effort placing of up to 400,000,000 shares of the Company at HK$0.48 per placing share;

(h) a placing agreement dated 21 June 2016 entered into between the Company and Crosby Securities Limited in relation to placing of HK$100,000,000 10% unsecured bonds of the Company due 2019 which was issued on 5 July 2016 pursuant to a bonds instrument dated 5 July 2016 executed by the Company; and

(i) the Disposal Agreement.

8. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have given opinion or advice, contained in this circular:

Name	**Qualifications**
BOSC International	A corporation licensed to carry out 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
BDO Limited ("**BDO**")	Certified Public Accountants
DTZ Cushman & Wakefield Limited ("**DTZ**")	Independent valuer

As at the Latest Practicable Date, each of BOSC International, BDO and DTZ did not have any shareholding, directly or indirectly, in any member of the Group nor did any of them have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, each of BOSC International, BDO and DTZ did not have any direct or indirect interests in any assets which since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

Each of BOSC International, BDO and DTZ has given its written consent, and has not withdrawn its written consent, to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

9. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in the PRC is 32nd to 33rd Floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.

(c) The principal place of business of the Company in Hong Kong is at Unit 1401, 14th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

(d) The company secretary of the Company is Ms. CHEUNG Lin Shun, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(e) The principal share registrar and transfer office of the Company is Codan Services Limited at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(f) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

(g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at Unit 1401, 14th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong, for a period of 14 days from the date of this circular:

(a) this circular;

(b) the memorandum of association and bye-laws of the Company;

(c) the published audited consolidated financial statements of the Company for each of the two financial years ended 31 December 2014 and 31 December 2015;

(d) the published unaudited consolidated financial statements of the Company for the six months ended 30 June 2016;

(e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 12 of this circular:

(f) the letter of advice from BOSC International to the Independent Board Committees and the Independent Shareholders, the text of which is set out on pages 13 to 33 of this circular;

(g) the consent letters of BOSC International, BDO and DTZ as referred to in the section headed "Experts and Consents" in this appendix;

(h) BDO's report on review of the unaudited financial information of YZ Tianyu for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, the text of which is set out in Appendix II to this circular;

(i) the report from BDO on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(j) the letter and valuation certificate prepared by DTZ in respect of the Unsold Properties, the text of which is set out in Appendix IV to this circular; and

(k) the material contracts as referred to in the section headed "Material contracts" in this appendix.

天譽置業（控股）有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 00059)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Skyfame Realty (Holdings) Limited (the "**Company**") will be held at Empire Room 1, 1st Floor, Empire Hotel Hong Kong • Wanchai, 33 Hennessy Road, Wanchai, Hong Kong at 3:00 p.m. on Monday, 14 November 2016 for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(i) the disposal agreement dated 27 September 2016 (the "**Disposal Agreement**", a copy of which has been produced to the meeting and marked "A" and signed by the Chairman of the meeting for the purpose of identification) entered into between 廣州譽浚諮詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited*) ("**Yu Jun**"), a company established in the PRC with limited liabilities and an indirect wholly-owned subsidiary of the Company, as vendor and 廣州市天譽房地產開發有限公司 (Guangzhou Tianyu Real Estate Development Company Limited*) ("**GZ Tianyu**"), a company established in the PRC with limited liability of which Mr. Yu is a controlling shareholder, as purchaser, in relation to the disposal by Yu Jun of the 70% equity interest of 永州市天譽房地產開發有限公司 (Yongzhou Tianyu Real Estate Development Company Limited*) ("**YZ Tianyu**"), a company established in the PRC with limited liability and an indirect 70%-owned subsidiary of the Company and the assignment of shareholder loan due from YZ Tianyu to Yu Jun for consideration of, subject to adjustments as stipulated in the Disposal Agreement, RMB55,023,795 and RMB224,619,978 respectively and the transactions contemplated thereunder be and are hereby generally and unconditionally approved in all respects; and

(ii) the directors of the Company (the "**Directors**") be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with or/to implement and/or give effect to the Disposal Agreement and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the Directors, in the interest of the Company."

By order of the Board
Skyfame Realty (Holdings) Limited
CHEUNG Lin Shun
Company Secretary

Hong Kong, 26 October 2016

* *For identification purposes only*

Notes:

1. Any member of the Company entitled to attend and vote at the meeting by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of such member. A proxy needs 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 an officer, attorney or other person authorized to sign the same.

3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority must be delivered to the office of Tricor Abacus Limited, the Company's branch share registrar in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by way of notice to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default, the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. In the case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

6. As at the date of this notice, the board of directors of the Company comprises Mr. YU Pan, Mr. WEN Xiaobing, Mr. JIANG Jing and Mr. WONG Lok as executive directors; Mr. ZHONG Guoxing as non-executive director and Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong as independent non-executive directors.