THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

GDH

GUANGDONG LAND HOLDINGS LIMITED
粵海置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0124)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET COMPANY AND NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

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

BALLAS
CAPITAL

All capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board (as defined in this circular) is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee (as defined in this circular) to the Independent Shareholders (as defined in this circular) is set out on page 17 of this circular. A letter from the Independent Financial Adviser (as defined in this circular), containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition is set out on pages 18 to 29 of this circular.

A notice convening the SGM (as defined in this circular) to be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong, on Thursday, 7 June 2018 at 3:30 p.m., or immediately after the conclusion of the 2018 annual general meeting of the Company to be held at the same venue and on the same day is set out on pages 108 to 109 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.

18 May 2018

CONTENTS

In this circular, the following terms or expressions shall have the meanings set out below unless the context requires otherwise:

Term	Definitions
"Acquisition"	the proposed acquisition of the entire equity interest in the Target Company by the Purchaser from the Vendors pursuant to the Agreement
"Adjustment Factor"	86.9%, being the quotient of the Equity Consideration (i.e. RMB1,200,490,000) divided by the adjusted net asset value of the Target Company set out in paragraph (ii) under the section headed "B. The Agreement – Basis of determination of the Total Payment" in the letter from the Board contained in this circular (i.e. approximately RMB1,381,082,000)
"Agreement"	the agreement dated 27 April 2018 entered into between the Purchaser and the Vendors in respect of the Acquisition
"Application Procedure"	has the meaning ascribed to it under the section headed "B. The Agreement – Conditions" in the letter from the Board contained in this circular
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Baohuaxuan Project"	has the meaning ascribed to it under the section headed "E. Information on the Target Company – The Projects" in the letter from the Board contained in this circular
"Baohuaxuan Properties"	has the meaning ascribed to it under the section headed "E. Information on the Target Company – The Projects" in the letter from the Board contained in this circular
"Business Day"	a day other than a statutory holiday in the PRC
"Buxin Land"	a plot of land located in the Buxin Area (布心片區), Luohu District, Shenzhen City, the PRC to be developed under the Buxin Project (for details, please refer to the circular of the Company dated 22 June 2016)
"Company"	Guangdong Land Holdings Limited (粵海置地控股有限公司), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Date"	the date on which Completion shall take place
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Demerger"	has the meaning ascribed to it under the section headed "E. Information on the Target Company – Financial Information of the Target Company" in the letter from the Board contained in this circular
"Director(s)"	the director(s) of the Company
"Equity Consideration"	has the meaning ascribed to it under the section headed "B. The Agreement – Total Payment – Equity Consideration" in the letter from the Board contained in this circular
"Escrow Account"	has the meaning ascribed to it under the section headed "B. The Agreement – Total Payment – Equity Consideration" in the letter from the Board contained in this circular
"Enlarged Group"	the Company, its subsidiaries and the Target Company
"GDI"	Guangdong Investment Limited (粵海投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Group"	the Company and its subsidiaries
"Guangdong Holdings"	廣東粵海控股集團有限公司 (Guangdong Holdings Limited), the ultimate controlling shareholder and a connected person of the Company
"Guangdong Land Shenzhen"	粵海置地(深圳)有限公司 (Guangdong Land (Shenzhen) Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK GAAP"	Hong Kong Generally Accepted Accounting Principles
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company comprising all of the independent non-executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho
"Independent Financial Adviser"	Ballas Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Independent Shareholders"	Shareholders other than those who are required to abstain from voting at the SGM pursuant to the Listing Rules
"Latest Practicable Date"	16 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"Long Stop Date"	31 August 2018
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NAV Reduction Value"	has the meaning ascribed to it under the section headed "B. The Agreement – Total Payment – Equity Consideration" in the letter from the Board contained in this circular
"Northwestern Land"	the northwestern part of the Buxin Land (designated as land number H409-0078(1)) (for details, please refer to the circular of the Company dated 22 June 2016)
"Outstanding Loans"	has the meaning ascribed to it under the section headed "B. The Agreement – Total Payment – Outstanding Loans" in the letter from the Board contained in this circular
"Parties"	the Vendors and the Purchaser; and "Party" means any one of them
"PRC"	the People's Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises as promulgated and, from time to time, amended or supplemented by the Ministry of Finance of the PRC
"Projects"	the Zhuguanglu Project and the Baohuaxuan Project
"Properties"	the Zhuguanglu Properties and the Baohuaxuan Properties
"Purchaser"	粵海置地發展(深圳)有限公司(Guangdong Land Development (Shenzhen) Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Repayment Date"	has the meaning ascribed to it under the section headed "B. The Agreement – Total Payment – Outstanding Loans" in the letter from the Board contained in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	the special general meeting of the Company to be held on 7 June 2018, the notice for which is contained in this circular
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	the holder(s) of Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"sq. m."	square meter(s)
"Target Company"	廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.), a company established in the PRC with limited liability
"Total Payment"	the aggregate of the Equity Consideration and the Outstanding Loans
"Transfer Procedure"	has the meaning ascribed to it under the section headed "B. The Agreement – Conditions" in the letter from the Board contained in this circular
"Vendor A"	廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.), a company established in the PRC with limited liability and a connected person of the Company
"Vendor B"	廣東粵港投資置業有限公司(Guangdong Yuegang Investment Property Co., Ltd.), a company established in the PRC with limited liability and a connected person of the Company
"Vendors"	Vendor A and Vendor B; and "Vendor" means any one of them
"Zhuguanglu Project"	has the meaning ascribed to it under the section headed "E. Information on the Target Company – The Projects" in the letter from the Board contained in this circular
"Zhuguanglu Properties"	has the meaning ascribed to it under the section headed "E. Information on the Target Company – The Projects" in the letter from the Board contained in this circular
"%"	per cent.

For the purpose of this circular, unless otherwise specified, conversion of Renminbi, the lawful currency of the PRC, into Hong Kong dollars, the lawful currency of Hong Kong, is based on the approximate exchange rate of HK$1 to RMB0.8079. No representation is made that any amount in HK$ and RMB could be converted at such rate.

In this circular, the English names of the PRC entities and technical terms are translations of their Chinese versions, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese versions shall prevail.

GUANGDONG LAND HOLDINGS LIMITED
粵海置地控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 0124)

Board of Directors:

Non-Executive Director
HUANG Xiaofeng *(Chairman)*

Executive Directors
ZHAO Chunxiao *(Chief Executive Officer)*
LI Wai Keung
WU Mingchang
ZENG Yi

Independent Non-Executive Directors
Alan Howard SMITH *JP*
Felix FONG Wo *BBS, JP*
Vincent Marshall LEE Kwan Ho
Deputy of the National People's Congress of PRC, BBS, Officer of the Order of the Crown (Belgium)

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place of Business in Hong Kong:

18th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

18 May 2018

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET COMPANY AND NOTICE OF SPECIAL GENERAL MEETING

A. INTRODUCTION

Reference is made to the joint announcement of the Company and GDI dated 27 April 2018 in relation to the Acquisition, which disclosed that after trading hours on 27 April 2018, the Purchaser (being an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to (i) acquire from the Vendors the entire equity interest in the Target Company for the aggregate consideration of RMB1,200,490,000 (equivalent to approximately HK$1,485,939,000) in cash, subject to adjustment (if any) in accordance with the terms of the Agreement; and (ii) procure the Target Company to repay the Outstanding Loans in the amount of RMB842,139,229.20 (equivalent to approximately HK$1,042,381,000) after Completion. The Total Payment under the Agreement is RMB2,042,629,229.20 (equivalent to approximately HK$2,528,320,000). The details of the Agreement are more particularly set out below.

The purpose of this circular is to provide Shareholders with, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) a valuation report on the Properties; and (v) the notice convening the SGM.

B. THE AGREEMENT

A summary of the salient terms of the Agreement is as follows:

Date: 27 April 2018

Parties:

Vendors:
(a) Vendor A
(b) Vendor B

Purchaser: The Purchaser

The Purchaser is an indirect wholly-owned subsidiary of the Company.

Vendor A and Vendor B are directly and indirectly (as the case may be) wholly-owned by Guangdong Holdings (being the ultimate controlling shareholder and therefore a connected person of the Company), and, hence, associates of Guangdong Holdings and connected persons of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire a 95% equity interest in the Target Company from Vendor A and a 5% equity interest in the Target Company from Vendor B.

Please refer to the section headed "E. Information on the Target Company" in the letter from the Board contained in this circular for details of the Target Company.

Total Payment

Equity Consideration

The consideration (the "**Equity Consideration**") for the Acquisition in the aggregate amount of RMB1,200,490,000 (equivalent to approximately HK$1,485,939,000) (subject to adjustment (if any) as set out below) for the entire equity interest in the Target Company shall be paid by the Purchaser in cash into an escrow account (the "**Escrow Account**") in the name of the Vendor(s) on the Completion Date.

After Completion, the completion accounts as at the Completion Date in respect of the Target Company shall be audited by 信永中和會計師事務所(特殊普通合夥)廣州分所 (Shinewing Certified Public Accountants (Special General Partner), Guangzhou Branch) or such other accounting firm as agreed by the Vendors and the Purchaser within 60 Business Days after the Completion Date, and the Equity Consideration shall be subject to a downward adjustment (if any) by an amount equal to the NAV Reduction Value multiplied by the Adjustment Factor (such downward adjustment amount shall be paid by the Vendors to the Purchaser within 14 Business Days from the date of such completion accounts) in the event that (i) there is a decrease in the net asset value of the Target Company as at the Completion Date as compared against its net asset value of RMB256,569,620.69 (equivalent to approximately HK$317,576,000) as at 31 March 2018 (such difference in the net asset value shall be referred to as the "**NAV Reduction Value**"); and (ii) the net asset value of the Target Company as at the Completion Date is below RMB250,000,000 (equivalent to approximately HK$309,444,000). Each net asset value figure referred to above is determined and prepared on an unadjusted basis (i.e. without taking into account the value of the Properties and the related potential tax liabilities arising therefrom).

The Equity Consideration shall be released from the Escrow Account upon the occurrence of the earlier of the following:

(i) to the Vendors, on the date of the completion of registration with the relevant administration for industry and commerce department in the PRC in respect of the transfer of the entire equity interest of the Target Company to the Purchaser (the abovementioned adjustment amount (if any) will be paid by the Vendors to the Purchaser after such release of the Equity Consideration); or

(ii) to the Purchaser, on the earlier of the Long Stop Date or date of confirmation by the parties to the Agreement of its termination in accordance with the terms thereof.

Outstanding Loans

The Purchaser has undertaken to the Vendors that on the 14th Business Day after the Completion Date or the release of the Equity Consideration from the Escrow Account under paragraph (i) above (whichever is later) (the "**Repayment Date**"), it shall procure the repayment of certain loans (including designated loans) (the "**Outstanding Loans**", being loans utilised in the ordinary course of business of the Target Company) due from the Target Company to the Vendors and their associates in the aggregate amount of RMB842,139,229.20 (equivalent to approximately HK$1,042,381,000) (comprising the principal amounts and the related interests accrued up to and including 31 March 2018), details of which are set out below:

Borrower	**Lender**	**Outstanding principal amount** *(RMB)*	**Outstanding interest accrued up to and including 31 March 2018** *(RMB)*	**Interest rate per annum** *(%)*
Target Company	Guangdong Holdings	50,000,000.00	19,201,875.20	4.9
Target Company	Guangdong Holdings	125,000,000.00	22,275,222.31	5
Target Company	廣東三誠經濟發展有限公司 (Guangdong Sancheng Economic Development Co. Ltd., a subsidiary of Guangdong Holdings)	510,600,000.00	6,996,824.19	4.91625
Target Company	廣州市朝粵房地產有限公司 (Guangzhou City Chaoyue Property Co. Ltd., a subsidiary of Guangdong Holdings)	79,900,000.00	115,979.16	4.75
Target Company	Vendor A	28,009,835.37	39,492.97	4.75

The interests which shall accrue under the relevant agreements in respect of the Outstanding Loans during the period from 1 April 2018 (inclusive) up to and including the Repayment Date will be repaid by the Target Company on the Repayment Date.

After Completion (if the Acquisition is completed) and prior to the procured repayment by the Purchaser, the Outstanding Loans will constitute continuing connected transactions of the Company for the duration pending their repayment. Since such Outstanding Loans will then represent financial assistance received by the Target Company (being a subsidiary of the Company) on normal commercial terms or better to the Target Company and is not secured by any of its assets (or assets of the Group), they are fully exempt from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

It is expected that the Purchaser will satisfy the Total Payment from its internal resources and bank and/or other borrowings. The Group intends to settle the Total Payment (i) as to approximately RMB842 million (equivalent to approximately HK$1,042 million) by internal resources; and (ii) as to the remaining amount of approximately RMB1,200 million (equivalent to approximately HK$1,485 million) by bank and/or other borrowings. In respect of the said bank and/or other borrowings, a RMB500 million banking facility has been obtained in May 2018 and it is expected that the remaining borrowings in the amount of RMB700 million will be obtained before the Completion Date, with an indicative annual interest rate ranging from approximately 4.75% to 5%.

Basis of determination of the Total Payment

The amount of the Total Payment was arrived at after arm's length negotiations between the Purchaser and the Vendors taking into account, among other things, the following:

(i) the value of the Properties, being the principal assets of the Target Company, as at 31 March 2018 of RMB4,560,000,000 (equivalent to approximately HK$5,644,263,000) according to the valuation report compiled by Vigers Appraisal and Consulting Limited, an independent professional valuer appointed by the Company (as set out in Appendix V to this circular). The market value of the Properties as at 31 March 2018 according to the said valuation was arrived at after adopting different valuation methodologies and taking into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the Properties after completion of the development. For the residential and car-parking spaces of the Properties, direct comparison approach was adopted. For the commercial Properties, direct capitalization of the market rental income was adopted. The Board considered that such valuation methodologies and assumptions were fair and reasonable in view of the nature and development status of the Properties. The Board has also reviewed the market comparables of the properties as set out in the said valuation report and considered that the same were fair and reasonable in view of the nature and development status of the Properties;

(ii) the adjusted net asset value of the Target Company as at 31 March 2018 in the amount of approximately RMB1,381,082,000 (equivalent to approximately HK$1,709,471,000) prepared on the basis of the unaudited management accounts of the Target Company dated 31 March 2018 in accordance with PRC GAAP (reflecting the position after the Demerger), which was adjusted based on the abovementioned value of the Properties and the related potential tax liabilities arising therefrom in the manner below (for details, please refer to the section headed "Principal factors and reasons considered — B) Major terms of the Agreement — (i) Consideration" in the letter from the Independent Financial Adviser contained in this circular):

	RMB'000 *(approximate)*	**RMB'000** *(approximate)*
Unaudited net asset value of the Target Company as at 31 March 2018		256,570
Properties revaluation adjustment:		
Market value of the Properties as at 31 March 2018	4,560,000	
Less: Related book value of the Properties as at 31 March 2018	(2,151,092)	2,408,908
Less: Estimated potential tax liabilities		(1,284,396)
Adjusted net asset value of the Target Company as at 31 March 2018		**1,381,082**

The Equity Consideration for the Acquisition represents a discount of approximately 13.1% to such adjusted net asset value, which, based on the understanding of the Directors on the recent acquisition of properties in first-tier and second-tier cities, and recent acquisitions of property holding companies holding properties in first-tier and second-tier cities in the PRC (the "**Comparable Transactions**") from January 2017 to March 2018 (the "**Relevant Period**"), is within the range of those of the Comparable Transactions in the market.

Such Comparable Transactions represented all the similar transactions announced by companies listed on the Main Board of the Stock Exchange in the Relevant Period which were identified on reasonable effort basis based on the following selection criteria: (i) the target properties or properties held by the target companies were for residential or commercial use; (ii) the target properties or properties held by the target companies were located in first-tier and second-tier cities in the PRC; and (iii) the listed companies acquired the controlling interest of the properties or property holding companies; and (iv) the transactions were carried out during the Relevant Period;

(iii) the amount of the Outstanding Loans, and the interest rates of the same (ranging from 4.75% to 5% per annum), which are within the market range offered by commercial banks in the PRC and are on normal commercial terms or better to the Target Company;

(iv) the quality and location of the Projects and their sales prospects; and

(v) the development status of the Projects.

Considering all of the above, the Board is of the view that the Total Payment is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions

The Agreement shall become effective on the 25th day upon the fulfillment or waiver (where applicable) of all the following conditions:

(i) the approval of the transaction contemplated under the Agreement by the Independent Shareholders at the SGM having been obtained;

(ii) the approval of the Agreement by Guangdong Holdings having been obtained;

(iii) the approval of the transaction contemplated under the Agreement and the signing of the Agreement by the shareholders of the Vendors having been obtained; and

(iv) the approval of the transaction contemplated under the Agreement and the signing of the Agreement by the shareholders of the Purchaser having been obtained.

The Purchaser shall be entitled to waive the conditions under sub-paragraphs (ii) and (iii); and the Vendors shall be entitled to waive the condition under sub-paragraph (iv) above. If the said conditions cannot be satisfied (or waived) before the Long Stop Date, the Agreement shall not become effective. As at the Latest Practicable Date, the Purchaser did not have, and understood that the Vendors did not have, any intention to waive the above conditions.

Within four Business Days after the Agreement has become effective, the Vendors shall procure the Target Company to apply for the change of registration (工商登記) in respect of the transfer of the entire equity interest of the Target Company to the Purchaser with the relevant administration for industry and commerce department in the PRC and obtain the relevant acknowledgment of such application (受理回執) (the "**Application Procedure**").

The Vendors shall complete or assist the Purchaser to complete all procedures in respect of the transfer of legal title of the equity interest in the Target Company to the Purchaser (including (i) the Target Company having amended the relevant provisions on its articles of association and updated its register of members in respect of the Purchaser holding the entire equity interest in the Target Company; and (ii) the Target Company having completed all registration procedures with the relevant administration for industry and commerce department in the PRC in respect of the transfer of equity interest in the Target Company and change of shareholders of the Target Company, and the Purchaser having been registered as the holder of the entire equity interest in the Target Company) (the "**Transfer Procedure**") within reasonable time.

Upon completion of the Application Procedure and the Transfer Procedure, the Vendors shall forthwith notify the Purchaser of the same in writing.

Completion shall be conditional upon the fulfilment or waiver of the following conditions:

(i) the rights to the equity interest of the Target Company being clear and transferrable under the PRC law;

(ii) the representations and warranties in respect of the Vendors and/or the Target Company (including but not limited to the warranties by the Vendors) being true, accurate and not misleading in all respects on or before the Completion Date; and

(iii) the Vendors, on or before the Completion Date, having performed and complied with all relevant obligations, commitments, undertakings and promises in accordance with the Agreement.

The Purchaser shall be entitled to waive any and all of the conditions under sub-paragraphs (i) to (iii) above. As at the Latest Practicable Date, the Purchaser did not have any intention to waive the above conditions.

Other terms

Completion shall take place on the first Business Day after (i) the Vendors have completed the Application Procedure; or (ii) the Purchaser has given a notice in writing to the Vendors waiving the Vendors' obligations to complete the Application Procedure and/or the Transfer Procedure; or (iii) such other date as agreed by the Parties in writing. It is expected that Completion will occur in the third quarter of 2018 prior to the Long Stop Date.

The obligations of the Vendors to pay the Purchaser (i) the adjustment amount to the Purchaser under the abovementioned adjustment to the Equity Consideration (if any); and (ii) the supplemental land transfer fee (土地出讓金) (if any) in respect of the relevant Zhuguanglu Properties, which amount shall be paid by the Vendors to the Purchaser within ten days from the receipt of the supplemental agreement to be entered into between the Target Company and the relevant land administration department (國土管理部門) in respect of such supplemental land transfer fee when the application for the property ownership certificate(s) of the relevant Zhuguanglu Properties is proceeded with, shall be guaranteed by Guangdong Holdings.

C. INFORMATION ON THE GROUP

The Group is principally engaged in property development and investment.

D. INFORMATION ON THE VENDORS

The Company understands that Vendor A is principally engaged in project development, property development consultation, corporate management consultation and investment consultation and Vendor B is principally engaged in project investment and leasing of properties.

E. INFORMATION ON THE TARGET COMPANY

The Target Company

The Target Company was owned by Vendor A and Vendor B as to 95% and 5%, respectively, as at the Latest Practicable Date, and is principally engaged in property development, project investment, property development consultation, corporate management consultation and investment consultation.

After Completion and performance of the terms of the Agreement, the Target Company will become an indirect wholly-owned subsidiary of the Company and cease to be a subsidiary of Vendor A.

The Projects

The principal assets of the Target Company are the Properties under the Projects, being the Zhuguanglu Project and the Baohuaxuan Project. Management of the Company have extensive experience in the property development and investment sector with properties located in the Guangdong Province.

Zhuguanglu Project（珠光路項目）

The Target Company has undertaken the construction and development of certain residential and commercial properties known as "**Zhuguanglu Project**" located at 43-79 Zhuguang Road, Yuexiu District（越秀區珠光路43-79號）in Guangzhou, the PRC with a total site area of approximately 12,168 sq. m. ("**Zhuguanglu Properties**"). The Zhuguanglu Properties have an aggregate gross floor area of approximately 119,267 sq. m. (comprising (i) approximately 65,636 sq. m. for residential use; (ii) approximately 22,817 sq. m. for commercial use; and (iii) approximately 18,464 sq. m. as car-parking spaces, with the remainder of approximately 12,350 sq. m. being public facilities).

The filing in respect of the completion of construction（竣工備案）of the Zhuguanglu Project has been completed. The construction of the Zhuguanglu Properties has been substantially completed, with the works mainly comprising renovation of the Zhuguanglu Properties being in progress, which are expected to be completed by the end of August 2018. It is expected that a further construction cost in the amount of approximately RMB16 million will be incurred in respect to the said works which will be financed by the internal resources of the Target Company. As at the Latest Practicable Date, the Company did not have any further commitment in the Zhuguanglu Project. The Purchaser intends to (i) sell the residential units; (ii) lease the commercial units; and (iii) sell or lease the car-parking spaces, to third parties independent of the Group (i.e. not being connected persons of the Company). It is expected that (i) the sale of the said residential properties is expected to commence in 2018; and (ii) the leasing of the commercial properties will be marketed after the formulation of the specific business plan and subject to the then sales of the residential properties. As at the Latest Practicable Date, the Target Company had not entered into any sales agreement or lease agreement in respect of the Zhuguanglu Properties.

Zhuguanglu Properties with a total gross floor area of approximately 22,361 sq. m. have been pledged by the Target Company to a PRC bank according to the relevant pledge agreement for a loan utilised in the ordinary course of business of the Target Company.

The Target Company acquired the land use rights to the land under the Zhuguanglu Project from the PRC Government through public auction in December 2007. The Target Company's costs for the acquisition of such land and development of the Zhuguanglu Properties (comprising the consideration for land acquisition and the relevant payments in respect of such land and the development costs of the Zhuguanglu Properties) amounted to approximately RMB2,029 million (equivalent to approximately HK$2,511 million) in aggregate as at 31 March 2018.

Baohuaxuan Project (寶華軒項目)

The Target Company has also undertaken the construction and development of certain residential properties known as "**Baohuaxuan Project**" located between Wenchang South Road（文昌南路）and Old Baohua Road（舊寶華路）in Liwan District（荔灣區）in Guangzhou, the PRC with a total site area of approximately 1,374 sq. m. ("**Baohuaxuan Properties**"). The Baohuaxuan Properties comprise 40 residential units and 20 car-parking spaces, with an aggregate gross floor area of approximately 5,240 sq. m.

The filing in respect of the completion of construction（竣工備案）of the Baohuaxuan Project and the construction of the Baohuaxuan Properties have been completed. No further construction cost will be incurred and, as at the Latest Practicable Date, the Company did not have any further commitment, in the Baohuaxuan Project. As at 31 March 2018, the sale and purchase agreements in respect of 31 residential units with an aggregate gross floor area of approximately 3,044 sq. m. have been signed (of which 17 residential units with an aggregate gross floor area of approximately 1,669 sq. m. have been delivered). The Purchaser intends to sell the remaining 9 residential units (with an aggregate gross floor area of approximately 840 sq. m.) and all the 20 car-parking spaces to third parties independent of the Group (i.e. not being connected persons of the Company).

The Target Company acquired the land use rights to the land under the Baohuaxuan Project from the PRC Government through public auction in December 2007. The Target Company's costs for the acquisition of such land and development of the Baohuaxuan Properties (comprising the consideration for land acquisition and the relevant payments in respect of such land and the development costs of the Baohuaxuan Properties) amounted to approximately RMB97.55 million (equivalent to approximately HK$121 million) in aggregate as at 31 March 2018.

Financial information of the Target Company

Set out below is selected unaudited financial information (prepared in accordance with the HK GAAP) of the Target Company in relation to the Properties. For the year ended 31 December 2017, the net profit before and after tax were derived after taking into account the fair value gains of its investment properties under the Zhuguanglu Project, for each of the financial years ended 31 December 2017 and 31 December 2016, respectively.

	For the year ended 31 December 2017 (unaudited) *(Note)*	**For the year ended 31 December 2016 (unaudited)** *(Note)*
Net profit/(loss) (before tax)	approximately RMB56,471,000 (equivalent to approximately HK$69,899,000)	approximately RMB(31,370,000) (equivalent to approximately HK$(38,829,000))

	For the year ended 31 December 2017 (unaudited) *(Note)*	For the year ended 31 December 2016 (unaudited) *(Note)*
Net profit/(loss) (after tax)	approximately RMB31,896,000 (equivalent to approximately HK$39,480,000)	approximately RMB(26,541,000) (equivalent to approximately HK$(32,852,000))

Notes:

*The Target Company has undergone a demerger (分立) ("**Demerger**") of assets and liabilities in January 2018 under the PRC law, pursuant to which certain assets and liabilities were transferred to a separate entity, which will continue to be owned by the Vendors after Completion. The above net profit/(loss) (before tax) and net profit/(loss) (after tax) of the Target Company for each of the two financial years ended 31 December 2017 represent the financial information of the Target Company in relation to the Properties (being the principal assets of the Target Company after the Demerger).*

On 31 January 2018, the Target Company entered into equity transfer agreements with Vendor A to transfer its equity interest in its then 60% owned subsidiary and its equity interest in its then 20% owned associate for a consideration of RMB43,158,000 and RMB39,133,000, respectively. The said disposals of the subsidiary and associate were completed before the date of the Agreement.

F. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition is beneficial to the Group in the following aspects:

The Group is principally engaged in property development and investment, and holds the Buxin Project (a property development project) and certain investment properties in Shenzhen City, and the Ruyingju Project (a residential property project) in Panyu District, Guangzhou City in the PRC. The Company is affirmative about the outlook of the real estate industry's development in first-tier cities of Mainland China. Development in the Guangdong-Hong Kong-Macau Greater Bay Area is currently in full swing. Subsequent to the implementation of the relevant plans and policies for the Guangdong-Hong Kong-Macau Greater Bay Area by the PRC Government, further integration and development of the cities in the Guangdong-Hong Kong-Macau Greater Bay Area and an enhanced economic position are expected in the foreseeable future. It is anticipated that the real estate industry in this area would benefit from the social and economic integration as a whole. While the Group will continue with its existing strategy of seeking property investment and development project opportunities in first-tier cities, it will also actively study property development and investment projects in the second-tier cities in Mainland China, and is especially keen on building its foothold in cities within the Guangdong-Hong Kong-Macau Greater Bay Area and the Pearl River Delta region with the view to developing a long-term sustainable business model. As at the Latest Practicable Date, the Company had not entered into any agreement to acquire any new business (save the Agreement) or dispose of or downsize its existing business.

Through the Acquisition, the Group will acquire the Projects, namely (i) the Zhuguanglu Project located in Yuexiu District, Guangzhou City, which has first-hand properties with a residential community and a relatively large private garden view which is very rare in the region. It is adjacent to the central business district in Beijing Road, adjoining the Tianzi Wharf with comprehensive amenities for medical, educational and commercial purposes in the vicinity and a convenient transportation network including underground railways and public transport. The Zhuguanglu Project has a site area of approximately 12,168 sq. m. with an aggregate gross floor area of approximately 119,267 sq m., and the Zhuguanglu Properties comprise residential and commercial properties with car-parking spaces; and (ii) the Baohuaxuan Project, located in Liwan District, Guangzhou City, has comprehensive amenities in the vicinity and a convenient transportation network. Prior to entering into the Agreement, the Company has engaged a PRC legal adviser to conduct legal due diligence in the PRC and its reporting accountants to conduct a financial and taxation due diligence in respect of the Acquisition.

Upon Completion, the Group will have three property projects in Guangzhou, being the Zhuguanglu Project, the Baohuaxuan Project and the existing Ruyingju Project with an aggregate gross floor area of more than 100,000 sq. m. available for sale/lease, which is in line with the Group's business plan and development strategies of seeking investment and development property projects in first-tier cities in Mainland China.

The Buxin Project currently held by the Group is still under development, whereas over 91% of the residential units under the Ruyingju Project have been sold. The Zhuguanglu Project is expected to commence sale during the year, and the Baohuaxuan Properties are currently being sold. The Acquisition is expected to contribute to the increase in the Group's recurrent income in the future and thus enhance its results. Moreover, the Group intends to retain the commercial properties and some of the car-parking spaces under the Zhuguanglu Project for rental purposes, which is expected to generate a stable rental income, profit and cash flow to the Group. The Projects to be acquired under the Acquisition will establish a sound business within the Group's existing property projects and enhance its asset portfolio, as well as diversify the operating risks of the Group. The Company is not aware of any adverse impacts on the Company from the Acquisition. The Company is not aware that the Acquisition has any disadvantage to the Company.

The Board (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser as contained in this circular (for details of the views of the Independent Board Committee comprising all the independent non-executive Directors, please refer to page 17 of this circular)) considers that the terms and conditions of the Acquisition are fair and reasonable, on normal commercial terms, in the usual and ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Mr. HUANG Xiaofeng, Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi, being the Directors, are also directors of Guangdong Holdings and/or its subsidiaries. All of the abovementioned Directors present at the relevant Board meeting have abstained from voting on the Board resolutions for the entering into of the Agreement by the Purchaser. Shareholders and any of the abovementioned Directors (if any) who shall be entitled to vote at the SGM, but who have a material interest in the Acquisition, and the associates of each of them, will abstain from voting at the SGM in respect of the proposed resolution relating to the Acquisition, the Agreement and the transactions contemplated thereunder.

G. LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but all the percentage ratios are under 100% as determined in accordance with Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Further, since Vendor A and Vendor B are directly and indirectly (as the case may be) wholly-owned by Guangdong Holdings (being the ultimate controlling shareholder and therefore a connected person of the Company), and, hence, associates of Guangdong Holdings and connected persons of the Company under Chapter 14A of the Listing Rules, the Acquisition also constitutes a connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

After Completion and performance of the terms of the Agreement, the Target Company will have certain non-interest bearing outstanding payables (which do not form part of the Outstanding Loans) due to the Vendors and their associates arising in the ordinary course of business of the Target Company, which amounted to RMB373,163,683.92 (equivalent to approximately HK$461,893,000) as at 31 March 2018. Such payables are expected to remain outstanding after Completion (if the Acquisition is completed) and will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since such payables represent financial assistance received by the Target Company on normal commercial terms or better to the Target Company and is not secured by any of its assets (or of the Group), it is fully exempt from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

It is expected that certain other transactions between the Target Company and the Vendors or its associates may constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules after Completion (if the Acquisition is completed). The Company will comply with the applicable requirements under the Listing Rules as and when appropriate.

H. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion and performance of the terms of the Agreement, the Target Company will become an indirect wholly-owned subsidiary of the Company. The assets and liabilities of the Target Company will be consolidated into the accounts of the Group as at the date of the Completion Date. The results of the Target Company will be consolidated into the accounts of the Group since the Completion Date.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular (the "**Unaudited Pro Forma Financial Information of the Enlarged Group**"). If the Acquisition had been completed on 31 December 2017, the total assets of the Group would have been increased from approximately HK$5,381 million to approximately HK$8,413 million on a pro forma basis; the total liabilities of the Group would have been increased from approximately HK$704 million to approximately HK$3,776 million on a pro forma basis and the net assets of the Group would have been slightly decreased from approximately HK$4,677 million to approximately HK$4,637 million.

Gearing ratio

With reference to the Company's 2017 annual report, as at 31 December 2017, the Group did not have any outstanding interest-bearing loan. As at 31 December 2017, the Target Company had outstanding interest-bearing loans attributable to the development of the Zhuguanglu Project and the Baohuaxuan Project in the aggregate amount of approximately RMB1,224 million (equivalent to approximately HK$1,515 million). Based on the Unaudited Pro Forma Financial Information of the Enlarged Group, the outstanding interest-bearing borrowings will be approximately HK$2,041 million. The gearing ratio (aggregate interest-bearing borrowings divided by net assets) of the Enlarged Group will be approximately 44.0%.

Earnings

It is expected that the Target Company will generate revenue from the sale of the Properties in 2018. The Enlarged Group will include the revenue, expenses and results of the Target Company after Completion and performance of the terms of the Agreement.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2017 was prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2017, as set out in the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018; and (ii) the audited consolidated statement of financial position of the Target Company as at 31 December 2017 as set out in Appendix II to this circular, after incorporating pro forma adjustments described in the accompanying notes as set out in Appendix IV to this circular, assuming the Acquisition had been completed on 31 December 2017.

I. RECOMMENDATION

Your attention is drawn to:

(i) the letter from the Independent Board Committee (comprising Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho, all being independent non-executive Directors) set out on page 17 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the fairness and reasonableness of the Acquisition, the Agreement and the transactions contemplated thereunder; and

(ii) the letter from the Independent Financial Adviser set out on pages 18 to 29 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on whether the terms and conditions of the Acquisition, the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole, and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations.

Based on the reasons set out hereinabove, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution set out in the notice convening the SGM.

J. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Guangdong Land Holdings Limited
HUANG Xiaofeng
Chairman

GUANGDONG LAND HOLDINGS LIMITED
粵海置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0124)

18 May 2018

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET COMPANY

We refer to the circular of the Company to the Shareholders dated 18 May 2018 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider the Acquisition, being a connected transaction, pursuant to the terms and conditions of the Agreement, and to advise the Independent Shareholders as to whether, in our opinion, the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned.

Ballas Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

We would like to draw your attention to the letter from the Board set out on pages 5 to 16 of the Circular which contains, among other things, information on the Acquisition and the letter from the Independent Financial Adviser set out on pages 18 to 29 of the Circular which contains its advice in respect of the Acquisition, the Agreement and the transactions contemplated thereunder.

Having taken into account the principal factors and reasons underlying the Acquisition as well as the advice of the Independent Financial Adviser as set out herein, we consider the terms and conditions of the Acquisition, the Agreement and the transactions contemplated thereunder to be fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Acquisition, the Agreement and the transactions contemplated thereunder to be proposed at the SGM.

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

Alan Howard SMITH **Felix FONG Wo** **Vincent Marshall LEE Kwan Ho**

Independent Non-Executive Directors

BALLAS
CAPITAL

Unit 1802, 18/F,
1 Duddell Street, Central
Hong Kong

18 May 2018

To the Independent Board Committee

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, 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 18 May 2018, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 April 2018, the Board announced that the Purchaser (being an indirect wholly-owned subsidiary of the Company) entered into an agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to (i) acquire from the Vendors the entire equity interest in the Target Company for the aggregate consideration of RMB1,200,490,000 (equivalent to approximately HK$1,485,939,000), subject to adjustment (if any) in accordance with the terms of the Agreement; and (ii) procure the Target Company to repay the Outstanding Loans in the amount of RMB842,139,229.20 (equivalent to approximately HK$1,042,381,000) after Completion. The Total Payment under the Agreement is RMB2,042,629,229.20 (equivalent to approximately HK$2,528,320,000).

Since one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but all the percentage ratios are under 100% as determined in accordance with Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Further, as at the Latest Practicable Date, Vendor A and Vendor B are directly and indirectly (as the case may be) wholly-owned by Guangdong Holdings (being the ultimate controlling shareholder and therefore a connected person of the Company), and, hence, associates of Guangdong Holdings and connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition also constitutes a connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. HUANG Xiaofeng, Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi, being Directors, are also directors of Guangdong Holdings and/or its subsidiaries. All of the abovementioned Directors present at the relevant Board meeting have abstained from voting on the Board resolutions for the entering into of the Agreement by the Purchaser. Shareholders and any of the abovementioned Directors (if any) who shall be entitled to vote at the SGM, but who have material interest in the Acquisition, and the associates of each of them, will abstain from voting at the SGM in respect of the proposed resolution relating to the Acquisition, the Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho, has been formed to consider the Acquisition.

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.

In relying on the valuation report as set out in Appendix V to the Circular (the "**Valuation Report**"), we have reviewed the fairness, reasonableness and completeness of any assumptions or projections made by Vigers Appraisal & Consulting Limited (the "**Valuer**") in the Valuation Report. In relation to the Valuer providing an opinion or valuation relevant to the Properties, we (i) have interviewed the Valuer as to its expertise and any current or prior relationships with the Company, the Target Company or any of their respective subsidiaries or associates; (ii) have reviewed the terms of engagement (in particular whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the level of assurance given by the Valuation Report); (iii) have reviewed the relevant track record of the Valuer and noted the qualification of the Valuer as stipulated in Appendix V to the Circular; and (iv) have discussed with the Valuer in respect of its relevant experience and work done. Based on our discussions with the Valuer and review of the aforesaid information, we understand that the Valuer has the required qualification and experience in performing the valuation on property valuation in the PRC. For details, please refer to the sub-section headed "B) Major terms of the Agreement — (i) Consideration" in our letter below.

The Directors have declared in a responsibility statement set out in Appendix VI to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in 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 have been omitted from the Circular.

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 consider that we have taken reasonable steps and reviewed sufficient information, including but not limited to, the Agreement, the Valuation Report, the announcement of the Company and GDI dated 27 April 2018 in relation to the Agreement, the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"). Furthermore, we have performed due diligence on the Valuer and the Valuation Report and the details of which are set out above and in the due sub-section headed "B) Major terms of the Agreement — (i) Consideration" in our letter below). 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, the Target Company or any of their respective subsidiaries or associates.

INDEPENDENCE DECLARATION

Mr. Alex Lau of Ballas Capital Limited ("**Ballas Capital**"), under his previous employment, was one of the two persons signing off the opinion letters from the independent financial adviser contained in the Company's circulars dated 22 November 2010 and 2 April 2015. As these previous engagements were for the role of an independent financial adviser to the Company, it is respectfully submitted that those engagements would not affect the independence of Ballas Capital for acting as the independent financial adviser to the Company in respect of the Acquisition. As at the Latest Practicable Date, Mr. Alex Lau and Ms. Cathy Leung of Ballas Capital are not aware of any relationships or interests between Ballas Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Ballas Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the Acquisition, we have considered the following principal factors and reasons:

A) Background and reasons for entering into the Agreement

(i) Information on the Group

The Group is principally engaged in property development and investment.

As at the Latest Practicable Date, the Group holds certain investment properties and the Buxin Project (a property development project) in Shenzhen, and the Ruyingju Project (a residential property project) in Panyu, Guangzhou in the PRC. The Buxin Project currently held by the Group is still under development, whereas over 91% of the residential units under the Ruyingju Project have been sold. As stated in the Letter form the Board, as at the Latest Practicable Date, the Company had not entered into any agreement to acquire any new business (save the Agreement) or dispose of or downsize its existing business.

For the year ended 31 December 2017, as disclosed in the 2017 Annual Report, the Group recorded a revenue of approximately HK$186.7 million which was derived from sales of completed properties held for sale and rental income received. We also note from the 2017 Annual Report that apart from the Buxin Project and Ruyingju Project, the Group intends to seek out opportunities for property development and investment in the PRC. In light of the Group's principal business and strategies, we consider that the Acquisition falls within the ordinary and usual course of business of the Group.

(ii) Background of the Acquisition

On 27 April 2018, the Board announced that the Purchaser (being an indirect wholly-owned subsidiary of the Company) entered into an agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to (i) acquire from the Vendors the entire equity interest in the Target Company for the Equity Consideration of RMB1,200,490,000 (equivalent to approximately HK$1,485,939,000), subject to adjustment (if any) in accordance with the terms of the Agreement; and (ii) procure the Target Company to repay the Outstanding Loans in the amount of RMB842,139,229.20 (equivalent to approximately HK$1,042,381,000) after Completion. The Total Payment under the Agreement is RMB2,042,629,229.20 (equivalent to approximately HK$2,528,320,000). The Equity Consideration represents a discount of approximately 13.1% to the Adjusted NAV (as defined below). Details of our analysis on the Consideration are set out in the sub-section headed "B) Major terms of the Agreement — (i) Consideration" in our letter below.

Upon Completion and performance of the terms of the Agreement, the Target Company will become an indirect wholly-owned subsidiary of the Company.

As referred to in the Letter from the Board, the Company is affirmative about the outlook of the real estate industry's development in first-tier cities in the Mainland China. The development in the Guangdong-Hong Kong-Macau Greater Bay Area is currently in full-swing. Further integration and development of the cities in the Guangdong-Hong Kong-Macau Greater Bay Area and an enhanced economic position are expected in the foreseeable future, subsequent to the implementation of the relevant plans and policies for the Guangdong-Hong Kong-Macau Greater Bay Area by the PRC Government. While the Group will continue with its existing strategy of seeking property investment and development project opportunities in first-tier cities, it will also actively study property development and investment projects in the second-tier cities in the Mainland China, and is especially keen on building its foothold in cities within the Guangdong-Hong Kong-Macau Greater Bay Area and the Pearl River Delta region with the view to developing a long-term sustainable business model.

(iii) Information on the Target Company

Target Company

As referred to in the Letter from the Board, the Target Company was owned by Vendor A and Vendor B as to 95% and 5%, respectively, as at the Latest Practicable Date, and is principally engaged in property development, project investment, property development consultation, corporate management consultation and investment consultation. The principal assets of the Target Company after the Demerger are the Properties under the Projects, being the Zhuguanglu Project and the Baohuaxuan Project.

Zhuguanglu Project

As disclosed in the Letter from the Board, the Target Company has undertaken the construction and development of certain residential and commercial properties known as the Zhuguanglu Project located at 43-79 Zhuguang Road, Yuexiu District in Guangzhou, the PRC with a total site area of approximately 12,168 sq. m., namely Zhuguanglu Properties. The Zhuguanglu Properties have an aggregate gross floor area of approximately 119,267 sq. m. (comprising (i) approximately 65,636 sq. m. for residential use; (ii) approximately 22,817 sq. m. for commercial use; and (iii) approximately 18,464 sq. m. as car-parking spaces, with the remainder of approximately 12,350 sq. m. being public facilities).

The filing in respect of the completion of construction of the Zhuguanglu Project has been completed. The construction of the Zhuguanglu Properties has been substantially completed, with the works mainly comprising renovation of the Zhuguanglu Properties being in progress, which are expected to be completed by the end of August 2018. It is expected that a further construction cost in the amount of approximately RMB16 million will be incurred in respect to the said works which will be financed by the internal resources of the Target Company. As at the Latest Practicable Date, the Company did not have any further commitment in the Zhuguanglu Project. The Purchaser intends to (i) sell the residential units; (ii) lease the commercial units; and (iii) sell or lease the car-parking spaces, to third parties independent of the Group (i.e. not connected persons of the Company). It is expected that (i) the sale of the said residential properties is expected to commence in 2018 and (ii) the leasing of the commercial properties will be marketed after the formulation of the specific business plan and subject to the then sales of the residential properties. As at the Latest Practicable Date, the Target Company had not entered into any sales agreement or lease agreement in respect of the Zhuguanglu Properties.

Zhuguanglu Properties with a total gross floor area of approximately 22,361 sq. m. have been pledged by the Target Company to a PRC bank according to the relevant pledge agreement for a loan utilized in the ordinary course of business of the Target Company.

The Target Company acquired the land use rights to the land under the Zhuguanglu Project from the PRC Government through public auction in December 2007. The Target Company's costs for the acquisition of such land and development of the Zhuguanglu Properties (comprising the consideration for land acquisition and the relevant payments in respect of such land and the development costs of the Zhuguanglu Properties) amount to approximately RMB2,029 million (equivalent to approximately HK$2,511 million) in aggregate as at 31 March 2018.

According to the Valuation Report as set out in Appendix V of the Circular, the market value of the Zhuguanglu Project as at 31 March 2018 is RMB4,463.0 million (equivalent to approximately HK$5,524.2 million).

Baohuaxuan Project

As disclosed in the Letter from the Board, the Target Company has also undertaken the construction and development of certain residential properties known as the "Baohuaxuan Project" located between Wenchang South Road and Old Baohua Road in Liwan District in Guangzhou, the PRC with a total site area of approximately 1,374 sq. m. The Baohuaxuan Properties comprise 40 residential units and 20 car-parking spaces, with an aggregate gross floor area of approximately 5,240 sq. m.

The filing in respect of the completion of construction of the Baohuaxuan Project and the construction of the Baohuaxuan Properties have been completed. No further construction cost will be incurred and, as at the Latest Practicable Date, the Company did not have any further commitment, in the Baohuaxuan Project. As at 31 March 2018, the sale and purchase agreements in respect of 31 residential units with an aggregate gross floor area of approximately 3,044 sq. m. have been signed (of which 17 residential units with an aggregate gross floor area of approximately 1,669 sq. m. have been delivered). The Purchaser intends to sell the 9 remaining residential units (with an aggregate gross floor area of approximately 840 sq. m.) and all the 20 car-parking spaces to third parties independent of the Group (i.e. not connected persons of the Company).

The Target Company acquired the land use rights to the land under the Baohuaxuan Project from the PRC Government through public auction in December 2007. The Target Company's costs for the acquisition of such land and development of the Baohuaxuan Properties (comprising the consideration for land acquisition and the relevant payments in respect of such land and the development costs of the Baohuaxuan Properties) amount to approximately RMB97.55 million (equivalent to approximately HK$121 million) in aggregate as at 31 March 2018.

According to the Valuation Report as set out in Appendix V of the Circular, the market value of the Baohuaxuan Project as at 31 March 2018 is RMB97.0 million (equivalent to approximately HK$120.1 million).

Based on the Accountant's Report of the Target Group as set out in Appendix II of the Circular, the table below sets out the summary of the historical financial information of the Target Company and its subsidiary for the financial years ended 31 December 2016 and 31 December 2017.

	For the year ended 31 December 2017 (audited) *RMB'000*	**For the year ended 31 December 2016** (audited) *RMB'000*
Revenue	66,824	12,513
Net profit/(loss) (before tax)	59,642	(28,522)
Net profit/(loss) (after tax)	31,924	(26,327)

	As at 31 December 2017 (audited) *RMB'000*	**As at 31 December 2016** (audited) *RMB'000*
Total assets	4,520,965	3,840,281
Total liabilities	4,008,626	3,359,866
Total equity	512,339	480,415

The Target Company has undergone the Demerger of assets and liabilities in January 2018 under the PRC law, pursuant to which certain assets and liabilities unrelated to the Projects were transferred to a separate entity, which will continue to be owned by the Vendors after the Completion. For illustrative purpose, the net profit/(loss) before tax and net profit/(loss) after tax of the Target Company for each of the two financial years ended 31 December 2017 in relation to the Properties (being the principal assets of the Target Company after the Demerger) are shown below (for the year ended 31 December 2017, the net profit before and after tax were derived after taking into account the fair value gains of its investment properties under the Zhuguanglu Project):

	For the year ended 31 December 2017 (unaudited) *RMB'000*	**For the year ended 31 December 2016** (unaudited) *RMB'000*
Net profit/(loss) before tax	56,471	(31,370)
Net profit/(loss) after tax	31,896	(26,541)

(iv) Overview of the economic development and the property market in Guangzhou, the PRC

We have reviewed the public information sourced from the Guangzhou Statistics Bureau ("**GSB**") in respect of the economic development and the property markets in Guangzhou, the PRC, where the Properties are located.

Guangzhou is the capital of Guangdong province in Southern China. According to the GSB, Guangzhou recorded nominal gross domestic product ("**GDP**") of approximately RMB2,150.32 billion in 2017, representing an increase of approximately 9.65% as compared to approximately RMB1,961.09 billion in 2016.

According to GSB, the total investment in fixed assets in Guangzhou in 2017 increased to approximately RMB 591.98 billion, representing an increase rate of approximately 3.79% as compared to the previous year. Total investment in fixed assets of the city recorded a 5-year compound annual growth rate ("**CAGR**") of approximately 9.51% between 2012 and 2017, which the city also recorded a real estate development investment of approximately RMB270.29 billion in 2017, representing a 6.38% increase as compared to the previous year and a 5-year CAGR of approximately 14.55% for the period from 2012 to 2017.

Taking into account the above, we concur with the view of the management of the Company that there would be growth potential in the property market of Guangzhou in the future.

Our view

Having taken into consideration the above, in particular, (i) the Acquisition is in line with the principal business and strategies of the Group and would enable the Group to expand its portfolio of property projects and revenue base; and (ii) the Equity Consideration is at a discount of approximately 13.1% to the Adjusted NAV (as defined below and with details of our analysis on the Consideration set out in the sub-section headed "B) Major terms of the Agreement — (i) Consideration" in our letter below) while the Total Payment is at approximately 8.1% discount to the Adjusted NAV plus the Outstanding Loans, we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole.

B) Major terms of the Agreement

The following is our analyses and views on the major terms of the Agreement:

(i) Consideration

The Agreement stipulates that the Total Payment for the Acquisition is RMB2,042,629,229.20 (equivalent to approximately HK$2,528,320,000), comprising (i) the Equity Consideration of RMB1,200,490,000 (equivalent to approximately HK$1,485,939,000); and (ii) the repayment of the Outstanding Loans of RMB842,139,229.20 (equivalent to approximately HK$1,042,381,000).

After Completion, the completion accounts as at the Completion Date in respect of the Target Company shall be audited by Shinewing Certified Public Accountants (Special General Partner), Guangzhou Branch or such other accounting firm as agreed by the Vendors and the Purchaser within 60 Business Days after the Completion Date, and the Equity Consideration shall be subject to a downward adjustment (if any) by an amount equal to the NAV Reduction Value multiplied by the Adjustment Factor (such downward adjustment amount shall be paid by the Vendors to the Purchaser within 14 Business Days from the date of such completion accounts) in the event that (i) there is a decrease in the net asset value of the Target Company as at the Completion Date as compared against its net asset value of RMB256,569,620.69 (equivalent to approximately HK$317,576,000) as at 31 March 2018; and (ii) the net asset value of the Target Company as at the Completion Date is below RMB250,000,000 (equivalent to approximately HK$309,444,000). As the Equity Consideration represents a 13.1% discount to the Adjusted NAV, we consider that the Adjustment Factor is reasonably determined.

The obligations of the Vendors to pay the Purchaser (i) the adjustment amount to the Purchaser under the abovementioned adjustment to the Equity Consideration (if any); and (ii) the supplemental land transfer fee (if any) in respect of the relevant Zhuguanglu Properties, which amount shall be paid by the Vendors to the Purchaser within ten days from the receipt of the supplemental agreement to be entered into between the Target Company and the relevant land administration department in respect of such supplemental land transfer fee when the application for the property ownership certificate(s) of the relevant Zhuguanglu Properties is proceeded with, shall be guaranteed by Guangdong Holdings.

Furthermore, the Purchaser has undertaken to the Vendor that on the 14th Business Days after the Completion Date or the release of the Equity Consideration from the Escrow Account (whichever is later), namely the Repayment Date, it shall procure the repayment of the Outstanding Loans (being loans utilized in the ordinary course of business of the Target Company) due from the Target Company to the Vendors and their associates in the aggregate amount of RMB842,139,229.20 (equivalent to approximately HK$1,042,381,000) (comprising the principal amounts and the related interest accrued up to and including 31 March 2018). Details of which are set out in the paragraph headed "Total Payment" in the Letter from the Board.

As disclosed in the Letter from the Board, the Total Payment was arrived at after arm's length negotiations between the Purchaser and the Vendor taking into account, among other things, (i) the value of the Properties, being the principal assets of the Target Company, as at 31 March 2018 of RMB4,560.0 million (equivalent to approximately HK$5,644.3 million) according to the Valuation Report; (ii) the Adjusted NAV of the Target Company as at 31 March 2018 in the amount of approximately RMB1,381.1 million (equivalent to approximately HK$1,709.5 million) prepared on the basis of the unaudited management accounts of the Target Company dated 31 March 2018 in accordance with PRC GAAP (reflecting the position after the Demerger), which was adjusted based on the abovementioned value of the Properties and related potential tax liabilities arising therefrom as stipulated below; (iii) the amount of the Outstanding Loans and the interest rate of the same; (iv) the quality and location of the Projects and their sales prospects; and (v) the development status of the Projects.

We have further assessed the Total Payment in relation to the Adjusted NAV of the Target Company, as reconciled below:

	RMB'000 *(approximate)*	*RMB'000* *(approximate)*
Net assets value of the Target Company as at 31 March 2018 *(Note 1)*		256,570
Properties revaluation adjustment:		
Market value of the Properties (the "**Market Value**") held by the Target Company as at 31 March 2018	4,560,000	
Less: Related book value of the Properties as at 31 March 2018	(2,151,092)	2,408,908
Less: Estimated potential tax liabilities *(Note 2)*		(1,284,396)
Adjusted net assets value of the Target Company ("Adjusted NAV")		**1,381,082**
Equity Consideration		**1,200,490**
Discount of the Equity Consideration to the Adjusted NAV *(Note 3)*		13.1%

Note 1: *The net assets value of the Target Company as at 31 March 2018 of approximately RMB256.6 million is extracted from the unaudited management accounts of the Target Company as at 31 March 2018.*

Note 2: *As there may be potential tax liabilities to be borne by the Target Company upon disposal of the Properties, in arriving at the Adjusted NAV, the net assets value of the Target Company as at 31 March 2018 has been adjusted downwards by the estimated potential tax liabilities of approximately RMB1,284.4 million, which comprises the estimated deferred (i) land appreciation tax of approximately RMB963.2 million; and (ii) corporate income tax of approximately RMB321.2 million.*

As advised by the Company, the estimated deferred land appreciation tax of approximately RMB963.2 million is calculated at an applicable tax rate of 30%, 40% or 50% (as the case may be) on the "land value appreciation amount", being the excess of the proceeds to be received from the disposal of the Properties, estimated based on the Market Value, over the deductible expenditures, which include borrowing costs, land use right and related expenditures and property development expenditures, pursuant to the relevant PRC regulations on land appreciation tax.

The estimated deferred corporate income tax of approximately RMB321.2 million is calculated at 25.0% (being the applicable tax rate) on the assessable profit generated from the disposal of the Properties, estimated based on the Market Value, which in turn is based on the estimated proceeds to be received from the disposal of the Properties less, among others, the property development expenditures and the land appreciation tax.

Note 3: *Taking the Outstanding Loans into account, the discount of Total Payment to the Adjusted NAV plus the Outstanding Loans will be approximately 8.1%.*

As illustrated above, the Equity Consideration represents a discount of approximately 13.1% to the Adjusted NAV.

In assessing the fairness and reasonableness of the valuation methodologies and key assumptions adopted by the Valuer in arriving the Market Value, we have discussed with the management of the Company and the Valuer, who prepared the Valuation Report. In particular, we note that in performing the valuation for the Properties (the "**Property Valuation**"), the Valuer has adopted different valuation approaches for different portion of Properties. For residential portion and car park portion of the Zhuguanglu Project, the Valuer has adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market. For the commercial portion of the Zhuguanglu Project, the Valuer has adopted direct capitalization of the market rental income. Furthermore, the Valuer has also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. For the Baohuaxuan Project, the Valuer has adopted direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the Properties. We have also been advised by the Valuer that in light of the particulars of the Properties, the above valuation methodologies are commonly used in arriving at the Property Valuation. Furthermore, we have reviewed and discussed with the Valuer on the market comparables adopted in the market comparison approach and noted that (i) the market comparables for the Zhuguanglu Project are first-hand residential properties and retail shops located in the Yuexiu District in Guangzhou, where the Zhuguanglu Project is located; and (ii) the market comparables for the Baohuaxuan Project are its sold units and the car parks in the Liwan District in Guangzhou, where the Baohuaxuan Project is located. Accordingly, we consider that the market comparables adopted by the Valuer are fair and representative samples. We also discussed with the Valuer to understand the assumptions which they have taken into consideration when performing the Property Valuation and set out in the Valuation Report. In respect of the Zhuguanglu Project, the Valuer has valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided by the Group and assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. The Valuer has also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. The Valuer also advised that the Property Valuation was carried out in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 to the Listing Rules. Based on the above and our understanding of the particulars of the Properties, we believe that the approaches adopted by the Valuer in performing the Property Valuation and the assumptions taken into consideration by the Valuer are appropriate.

In relation to the adjustment on potential tax liabilities of the Target Company provided by the Company, we understand that such adjustment is necessary as there may be potential tax liabilities to be borne by the Target Company if the Properties are disposed of in the future. In assessing the estimated potential tax liabilities of the Target Company, we have obtained from the Company and reviewed the calculations in relation thereto and understand that the estimated potential tax liabilities are calculated with reference to the applicable prevailing tax rates, the Market Value and the projected allowable cost deductions. Based on the above, we consider that the Company's bases and assumptions in calculating the estimated potential tax liabilities are reasonable.

Furthermore, we understand from the Valuer that the Zhuguanglu Project, which accounted for approximately 97.9% of the Property Valuation, is located in a prime location in Yuexiu District in Guangzhou, a first-tier city in PRC and the property price in Guangzhou has remained stable recently. As stated in the Letter from the Board, the sale of the residential properties of Zhuguanglu Project is expected to commence in 2018 and the Baohuaxuan Properties are currently being sold. Accordingly, it is expected that the Target Company is able commence generating cashflow from the sales proceeds of the Zhuguanglu Project and the Baohuaxuan Project soon after the Completion.

We consider that the fairness and reasonableness of the Total Payment should be assessed based on the prevailing circumstances of the Acquisition and thus did not take into consideration the amount of the original acquisition costs of the Projects which was determined based on the then circumstances of the Projects and the historical construction costs incurred by the Vendors.

Having considered the above, we are of the view that the Total Payment is fair and reasonable.

(ii) Terms of payment

The Agreement stipulates that the Equity Consideration (subject to adjustment (if any)) for the entire equity interest in Target Company shall be paid by the Purchaser in cash into the Escrow Account in the name of the Vendors on the Completion Date.

The Equity Consideration shall be released from the Escrow Account upon the occurrence of the earlier of following:

(i) to the Vendors, on the date of the completion of registration with the relevant administration for industry and commerce department in the PRC in respect of the transfer of the entire equity interest of the Target Company to the Purchaser (the abovementioned adjustment amount (if any) will be paid by the Vendors to the Purchaser after such release of the Equity Consideration); or

(ii) to the Purchaser, on the earlier of the Long Stop Date or date of confirmation by the parties to the Agreement of its termination in accordance with the terms thereof.

The Purchaser shall procure the repayment of the Outstanding Loans to the Vendors and their associates on the Repayment Date.

As stated in the Letter from the Board, the Total Payment will be satisfied by the internal resources of the Group and bank and/or other borrowings.

We note that pursuant to the Agreement, the Group is not required to pay any deposit and the entire Equity Consideration will only be released from the Escrow Account to the Vendors on the Completion Date upon the completion of the regulatory registration of the transfer of the equity interest of the Target Company and are of the view that the terms of payment is fair and reasonable.

(iii) Conditions precedent

Please refer to the sub-section headed “Conditions” in the Letter from the Board.

(iv) Completion

Completion shall take place on the first Business Day after (i) the Vendors have completed the Application Procedure; or (ii) the Purchaser has given a notice in writing to the Vendors waiving the Vendor’s obligations to complete the Application Procedure and/or the Transfer Procedure, or (iii) such other date as agreed by the Parties in writing. It is expected that Completion will occur in the third quarter of 2018 prior to the Long Stop Date.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and cease to be a subsidiary of Vendor A.

Our view

Having considered the above, we are of the view that the terms of the Agreement are normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

C) Possible financial effects of the Acquisition

(i) Accounting treatment upon completion of the Acquisition

As stated in the Letter from the Board, upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

As referred to in the Letter from the Board, with the sale of the Zhuguanglu Project is expected to commence in 2018 and the Baohuaxuan Properties are currently being sold, the Directors believe that the Target Company would be able to contribute to the revenue stream of the Group.

(ii) Net assets value

We note that the Equity Consideration represents a discount of approximately 13.1% to the Adjusted NAV, and thus the Directors expect that the Acquisition would result in negative goodwill, subject to audit, and have an increase in net asset value in consolidation after taking into account the revaluation adjustment of the Properties (Note).

However, Shareholders should note that the exact effects of the Acquisition on the Group's net assets value and the amount of negative goodwill shall only be ascertained, and subject to audit, upon Completion based on the then fair value of the net assets of the Target Company on the Completion Date.

Note: For the avoidance of doubt, the unaudited pro forma financial information as set out in Appendix IV to the Circular has not taken into account the effect of the revaluation adjustment of the Properties and thus a positive goodwill is shown in note (c)(ii) under the section headed "2) Notes to the pro forma adjustments" of Appendix IV to the Circular.

(iii) Working capital

As stated in the Letter from the Board, the Total Payment will be funded by the internal resources of the Group and bank and/or other borrowings. As stated in Appendix I of the Circular, the Directors, after due and careful enquiry, are of the opinion that, after taking into account of the financial resources presently available to the Enlarged Group, including the internally generated funds, cash flows from operation and currently available facilities, the Enlarged Group has sufficient working capital to satisfy its requirements for its normal business for at least 12 months from the date of the Circular. Furthermore, the Directors expect that the Target Company is able to generate positive cash flow from the sale proceeds of the Zhuguanglu Project and the Baohuaxuan Project.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau — *Managing Director*
Cathy Leung — *Assistant Director*

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Alex Lau and Ms. Cathy Leung of Ballas Capital Limited have participated in and completed various advisory transactions involving connected transactions.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents respectively which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gdland.com.hk):

- the Company's annual report for the year ended 31 December 2015 published on 27 April 2016 (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427863.pdf) (pages 38 to 94);

- the Company's annual report for the year ended 31 December 2016 published on 25 April 2017 (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0425/LTN201704251311.pdf) (pages 39 to 102); and

- the Company's annual report for the year ended 31 December 2017 published on 27 April 2018 (http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN201804273129.pdf) (pages 40 to 104).

2. INDEBTEDNESS

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular for ascertaining the information contained in this statement of indebtedness, the Enlarged Group had total outstanding borrowings of approximately HK$1,473,276,000, comprising secured and unguaranteed interest-bearing bank loans of approximately HK$482,976,000 and unsecured and unguaranteed interest-bearing loans due to Guangdong Holdings and its subsidiaries of approximately HK$990,300,000. The aforesaid interest-bearing bank loans were secured by pledge of certain Enlarged Group's properties.

As the close of business on 31 March 2018, the Enlarged Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Enlarged Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by any of these purchasers, the Enlarged Group shall be responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks, and the Enlarged Group shall be entitled to, among other things, take over the legal titles and possession of the relevant properties. The Enlarged Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of the real estate ownership certificates for the relevant properties. As at 31 March 2018, the Enlarged Group's outstanding guarantees amounted to approximately HK$841,556,000 for these guarantees.

According to the master agreement dated 5 February 2013 relating to the disposal of the Enlarged Group's then brewery business, the Enlarged Group had undertaken to bear any losses arising from the brewery subsidiaries disposed of for additional obligations in relation to, among others, taxes, government levies, staff welfare and uncollectible trade receivables that occurred prior to the date of completion of the said disposal.

Save as aforesaid liabilities, the Enlarged Group did not, at the close of business on 31 March 2018, have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade and other payables), acceptance credits, or any guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 31 March 2018.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including the internally generated funds, cash flows from operation and currently available facilities, the Enlarged Group has sufficient working capital to satisfy its requirements for its normal business for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is an investment holding company and the Group is principally engaged in property development and investment. The Group currently holds the Buxin Project (a property development project) and certain investment properties in Shenzhen City, and the Ruyingju Project (a residential property project) in Panyu District, Guangzhou City in the PRC.

For the year ended 31 December 2017, the Group recorded a revenue of HK$187 million (2016: HK$1,092 million), representing a decrease of approximately 82.9% from 2016. The decrease in revenue was mainly due to approximately 90.6% to the gross floor area of the residential units under the Ruyingju Project had been sold by the end of 2016. Also, as disclosed in the section headed "The Rujingju Project" under "Management Discussion and Analysis" of the 2017 annual report, in view of the local government's relevant policies on properties prices and the Group's intention of not lowering the sale prices of the remaining residential units under the Ruyingju Project, the sale of the remaining residential units had to be postponed. The Group recorded a profit attributable to owners of the Company for the year amounting to HK$49.29 million (2016: HK$17.73 million), representing an increase of approximately 177.9% from 2016.

The Group's Buxin Project is currently under development and construction and would likewise benefit from the strong development momentum in the Guangdong-Hong Kong-Macau Greater Bay Area. Located in Luohu District, Shenzhen City, the Buxin Project has an enormous development potential. The Group will invest appropriate resources to create and release the value of the Buxin Project, and will consider arranging external financing to support the development of the Buxin Project. The business apartments and office premises under the first phase of the development of the Buxin Project are expected to meet pre-sale conditions in the fourth quarter of 2018 and pre-sales would commence upon the pre-sale permit is granted.

Upon Completion, the Enlarged Group will continue to be engaged in property development and investment. As disclosed in the section headed "Reason for and benefits of the Acquisition" under the "Letter from the Board", the Board considers that the Acquisition will enable the Group to strengthen and expand its source of revenue from the property development segment and diversify the Group's revenue base. Upon Completion, the Group will have three property projects in Guangzhou with an aggregate gross floor area of more than 100,000 sq. m. available for sale/lease, which is in line with the Group's business plan and development strategies of seeking investment and development property projects in first-tier cities in Mainland China. The Projects to be acquired under the Acquisition would establish a sound and enhance asset portfolio within the Group's existing property projects, and diversify the operating risks of the Group.

While the Group will continue with its existing strategy of seeking property investment and development project opportunities in first-tier cities, it will also actively study property development and investment projects in the second-tier cities in the Mainland China, and is especially keen on building its foothold in cities within the Guangdong-Hong Kong-Macau Greater Bay Area and the Pearl River Delta region with the view to developing a long-term sustainable business model.

Under the leadership of the Board, the Group is confident in the prospects of its future business development and will continue to actively promote the development of its real estate business in order to create greater returns for the Shareholders.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) as at the Latest Practicable Date.

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

Ernst & Young
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The Board of Directors
Guangdong Land Holdings Limited

Dear Sirs,

We report on the historical financial information of 廣東粵海房地產開發有限公司(the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group"), which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2015, 2016 and 2017, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 34 to 73 forms an integral part of this report, which has been prepared for inclusion in the circular of Guangdong Land Holdings Limited (the "Company") dated 18 May 2018 (the "Circular") in connection with the acquisition of the entire equity interest of the Target Company by a subsidiary of the Company (the "Acquisition").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you.

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2015, 2016 and 2017, and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report On Matters Under The Rules Governing The Listing Of Securities On The Main Board Of The Stock Exchange And The Companies (Winding Up And Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 34 have been made.

Dividends

No dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

18 May 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The statutory financial statements of the Target Group for the years ended 31 December 2015 and 2016 prepared under the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") were audited by Union Power Certified Public Accountants, certified public accountants registered in the PRC. The statutory financial statements of the Target Group for the year ended 31 December 2017 prepared under the PRC GAAP were audited by ShineWing Certified Public Accountants, certified public accountants registered in the PRC.

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

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Notes	***RMB'000***	***RMB'000***	***RMB'000***
REVENUE	*5*	4,919	12,513	66,824
Cost of sales		(2,563)	(6,870)	(42,573)
Gross profit		2,356	5,643	24,251
Other income and gain	*5*	405	903	86,489
Selling and distribution expenses		(5,294)	(6,373)	(10,074)
Administrative expenses		(26,573)	(28,507)	(37,235)
Finance costs	*6*	(41)	(671)	(3,976)
Share of profits of an associate		67	483	187
PROFIT/(LOSS) BEFORE TAX	*7*	(29,080)	(28,522)	59,642
Income tax credit/(expenses)	*9*	6,565	2,195	(27,718)
PROFIT/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		(22,515)	(26,327)	31,924
Attributable to:				
Owners of the parent		(21,989)	(26,220)	31,988
Non-controlling interests		(526)	(107)	(64)
		(22,515)	(26,327)	31,924

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2015	**2016**	**2017**
	Notes	***RMB'000***	***RMB'000***	***RMB'000***
NON-CURRENT ASSETS				
Property, plant and equipment	*10*	5,067	5,292	4,526
Investment properties	*11*	—	—	481,318
Investment in an associate	*12*	29,816	30,299	30,486
Deferred tax assets	*19*	34,132	37,203	14,548
Total non-current assets		69,015	72,794	530,878
CURRENT ASSETS				
Properties held for sale		194,022	187,542	1,627,987
Properties under development	*13*	3,029,760	3,384,865	1,886,747
Prepayments, deposits and other receivables	*14*	7,207	14,618	18,885
Restricted bank balances	*15*	66,221	50,965	140,023
Cash and bank balances	*15*	235,682	129,497	316,445
Total current assets		3,532,892	3,767,487	3,990,087
CURRENT LIABILITIES				
Trade payables	*16*	7,418	1,429	902
Other payables and accruals	*17*	130,586	156,597	216,903
Receipts in advance		3,137	15,257	54,790
Interest-bearing bank borrowing	*18*	—	—	120,400
Due to the immediate holding company	*28(a)(i)*	—	—	1,000
Due to an intermediate holding company	*28(a)(ii)*	66,108	40,023	40,023
Due to fellow subsidiaries	*28(a)(iii)*	1,363,582	1,214,666	1,120,517
Due to an associate	*28(a)(iv)*	73,306	73,320	73,325
Loans from an intermediate holding company	*28(a)(ii)*	—	428,324	137,788
Loan from fellow subsidiaries	*28(a)(iii)*	—	160,000	—
Tax payable		10,712	11,362	14,036
Total current liabilities		1,654,849	2,100,978	1,779,684
NET CURRENT ASSETS		1,878,043	1,666,509	2,210,403
TOTAL ASSETS LESS CURRENT LIABILITIES		1,947,058	1,739,303	2,741,281

		At 31 December		
		2015	2016	2017
	Notes	***RMB'000***	***RMB'000***	***RMB'000***
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowing	*18*	—	—	309,600
Loan from the immediate holding company	*28(a)(i)*	—	—	28,038
Loans from an intermediate holding company	*28(a)(ii)*	1,280,316	766,888	1,240,432
Loans from fellow subsidiaries	*28(a)(iii)*	160,000	492,000	650,872
Total non-current liabilities		1,440,316	1,258,888	2,228,942
Net assets		506,742	480,415	512,339
EQUITY				
Equity attributable to owners of the parent				
Share capital	*20*	560,000	560,000	560,000
Reserves	*21*	(70,486)	(96,706)	(64,718)
		489,514	463,294	495,282
Non-controlling interests		17,228	17,121	17,057
Total equity		506,742	480,415	512,339

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the parent						
	Share capital *RMB'000*	**Other reserve** *RMB'000*	**Reserve fund** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2015	560,000	3,529	—	(52,026)	511,503	17,754	529,257
Loss for the year and total comprehensive loss for the year	—	—	—	(21,989)	(21,989)	(526)	(22,515)
At 31 December 2015 and 1 January 2016	560,000	3,529*	—*	(74,015)*	489,514	17,228	506,742
Loss for the year and total comprehensive loss for the year	—	—	—	(26,220)	(26,220)	(107)	(26,327)
At 31 December 2016 and 1 January 2017	560,000	3,529*	—*	(100,235)*	463,294	17,121	480,415
Profit for the year and total comprehensive income for the year	—	—	—	31,988	31,988	(64)	31,924
Transfer to reserve fund	—	—	26	(26)	—	—	—
At 31 December 2017	560,000	3,529*	26*	(68,273)*	495,282	17,057	512,339

* These reserve accounts comprise the consolidated debit reserves of RMB70,486,000, RMB96,706,000 and RMB64,718,000 in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, respectively.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2015 RMB'000	2016 RMB'000	2017 RMB'000
		Year ended 31 December		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		(29,080)	(28,522)	59,642
Adjustments for:				
Bank interest income	5	(349)	(474)	(785)
Share of profits of an associate		(67)	(483)	(187)
Finance costs	6	41	671	3,976
Depreciation	7	1,563	2,191	1,936
Loss of disposal of property, plant and equipment	7	5	18	—
Fair value gain on investment properties	5	—	—	(85,424)
		(27,887)	(26,599)	(20,842)
Decrease in properties held for sale		2,563	6,480	208,758
Increase in properties under development		(569,528)	(270,749)	(461,821)
Decrease/(increase) in prepayments, deposits and other receivables		1,931	(7,412)	(4,267)
Decrease in trade payable		(10,697)	(5,989)	(525)
Increase/(decrease) in receipts in advance		(714)	12,119	39,533
Increase in other payables and accruals		110,119	26,011	59,805
Increase/(decrease) in due to the immediate holding company		(14,871)	—	1,000
Decrease in due to an intermediate holding company		—	(26,085)	—
Increase/(decrease) in due to fellow subsidiaries		284,001	(148,916)	(94,149)
Increase in due to an associate		57,452	14	5
Cash used in operations		(167,631)	(441,126)	(272,503)
Tax paid		(90)	(223)	(2,391)
Interest paid		(11,078)	(20,131)	(84,625)
Net cash flows used in operating activities		(178,799)	(461,480)	(359,519)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase received		349	474	785
Purchase of items of property, plant and equipment		(2,665)	(2,438)	(1,170)
Proceeds from disposal of items of property, plant and equipment		2	3	—
Decrease/(increase) in restricted bank balances		62,216	15,256	(89,058)
Net cash flows from/(used in) investing activities		59,902	13,295	(89,443)

		Year ended 31 December		
		2015	2016	2017
	Notes	***RMB'000***	***RMB'000***	***RMB'000***
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loan		—	—	430,000
New loan from immediate holding company		—	—	28,125
New loan from intermediate holding company		346,000	—	430,000
New loan from fellow subsidiaries		—	492,000	158,015
Repayment of loan from immediate holding company		—	—	(115)
Repayment of loan from intermediate holding company		—	(150,000)	(250,000)
Repayment of loan form fellow subsidiaries		(75,000)	—	(160,115)
Net cash flows from financing activities		271,000	342,000	635,910
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		152,103	(106,185)	186,948
Cash and cash equivalents at beginning of year		83,579	235,682	129,497
CASH AND CASH EQUIVALENTS AT END OF YEAR		235,682	129,497	316,445
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*15*	235,682	129,497	316,445

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company was established with limited liability in the People's Republic of China (the "PRC") on 14 June 2006. The registered office of the Target Company is located at 廣東省廣州市越秀區八旗二馬路48號內自編1號廣東航運大廈14樓1401、1403房.

During the Relevant Periods, the Target Company and its subsidiary were involved in property development and investment in the PRC.

廣東粵港投資開發有限公司, a company established in the PRC, is the immediate holding company of the Target Company. In the opinion of the directors, the ultimate holding company of the Target Company is 廣東粵海控股集團有限公司 (Guangdong Holdings Limited), a company established in the PRC.

Information about the subsidiary

Particulars of the Target Company's subsidiary at the end of the Relevant Periods are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	*Indirect*	
中山市嘉路華花園發展公司	PRC	RMB38,000,000	60	—	Property development and investment

The statutory financial statements of the subsidiary for the years ended 31 December 2015 and 2016 were prepared in accordance with the PRC GAAP and were audited by Union Power Certified Public Accountants, certified public accountants registered in the PRC. The statutory financial statements of the subsidiary for the year ended 31 December 2017 were prepared in accordance with the PRC GAAP and were audited by ShineWing Certified Public Accountants, certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Target Company and its subsidiary for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiary are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit of loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intar-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in the Historical Financial Information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Employee Benefits*[2]
Amendments to HKAS 28	*Long-Term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers to Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to a number of HKFRSs[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

The Target Group is in the process of making an assessment of the impact of these HKFRSs upon initial application. So far, the Target Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Target Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Target Group's investment in an associate is stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses.

The Target Group's share of the post-acquisition results and other comprehensive income of an associates is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Target Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associate are eliminated to the extent of the Target Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Target Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Target Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Target Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties held for sale, properties under development, deferred tax assets, investment properties and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arise in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. The cost of properties under development comprises cost of land, development expenditure and other direct costs attributable to the development. Net realisable value is based on estimated selling prices less estimated cost to be incurred to completion and disposal.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of total development cost, including capitalised borrowing cost, attributable to the unsold units. Net realisable value is determined on the basis of anticipated sales proceeds estimated by management based on the prevailing market conditions less all estimated costs to completion and selling expenses, on an individual property basis.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at lease at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from properties under development to investment properties, any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit and loss.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains/(loss),net in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, certain accruals and other payables, interest-bearing bank borrowing, amounts due to the immediate holding company, an intermediate holding company, fellow subsidiaries and an associate and loans from the immediate holding company, an intermediate holding company and fellow subsidiaries.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement or profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in a subsidiary and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Other employee benefits

Pension schemes

The employees of the Target Group are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and properties under development

The Target Group determines whether a property qualifies as an investment property or a property under development, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Properties under development are properties held by the Target Group with intention for sale in the Target Group's ordinary course of business. Judgement is made on an individual property basis to determine whether properties are classified as investment properties or properties under development.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of the deferred tax asset relating to recognised tax losses at 31 December 2015, 2016, 2017 were RMB31,454,000 RMB34,362,000 and RMB33,155,000, respectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

The Target Group considers information from a variety of sources, including (i) by reference to current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (iii) independent valuations. The carrying amount of investment properties at 31 December 2017 was RMB481,318,000.

Estimation of net realisable values of properties held for sale and properties under development

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses, which are estimated based on the best available information including selling prices of property sales during the year and after the end of the reporting period and market transactions of similar adjacent properties.

Estimation of total budgeted costs and costs to completion for properties under development

Total budgeted costs for properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

4. SEGMENT INFORMATION

In the opinion of the management, the Target Group has only one reportable operating segment which is property development and investment.

No geographical information is presented as all of the Target Group's revenue is derived from customers based in the PRC, and all assets of the Target Group are located in the PRC.

No revenue from the sales to single customer amounted to 10% or more of the Target Group's total revenue for each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAIN

Revenue represents sales of completed properties held for sale and rental income received during the Relevant Periods. An analysis of revenue, other income and gain is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Revenue			
Sale of properties	4,442	11,743	65,990
Rental income	477	770	834
	4,919	12,513	66,824
Other income and gain			
Bank interest income	349	474	785
Fair value gain on investment properties	—	—	85,424
Others	56	429	280
	405	903	86,489

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Interest on a bank loan	—	—	11,410
Interest on loans from group companies	72,401	85,027	89,842
Less: Interest capitalised under property development projects	(72,360)	(84,356)	(97,276)
	41	671	3,976

7. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Cost of properties sold	2,563	6,870	42,573
Depreciation *(note 10)*	1,563	2,191	1,936
Minimum lease payments under operating leases	3,001	4,284	4,418
Auditor's remuneration	53	100	133
Employee benefit expense (excluding directors' remuneration *(note 8)*):			
Wages and salaries	37,532	37,116	45,545
Pension scheme contributions	6,734	7,485	8,358
	44,266	44,601	53,903
Less: Amounts capitalised under property development project	(27,399)	(26,923)	(26,119)
	16,867	17,678	27,784
Loss on disposal of items of property, plant and equipment	5	18	—

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

No director received any fees or emoluments in respect of their services rendered to the Target Group during the Relevant Periods.

(b) Five highest paid employees

The five highest paid employees during the Relevant Periods did not include any directors. Details of the remuneration of the five non-director, highest paid employees for the Relevant Periods are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Salaries, allowances and benefits in kind	2,256	2,277	2,675
Performance-related bonuses	6,829	5,434	6,181
Pension scheme contributions	133	146	166
	9,218	7,857	9,022

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
HK$1,500,001 to HK$2,000,000	1	4	2
HK$2,000,001 to HK$2,500,000	3	1	3
HK$2,500,001 to HK$3,000,000	1	—	—
	5	5	5

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Target Group had no assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Target Group operates.

Land Appreciation Tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Current — Hong Kong	—	—	—
Current — Mainland China	—	—	—
LAT in Mainland China	343	876	5,063
Deferred *(note 19)*	(6,908)	(3,071)	22,655
	(6,565)	(2,195)	27,718

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Target Company and its subsidiary are domiciled to the tax charge/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory rates) to the effective tax rates, are as follows:

	Year ended 31 December					
	2015		**2016**		**2017**	
	RMB'000	*%*	***RMB'000***	*%*	***RMB'000***	*%*
Profit/(loss) before tax	(29,080)		(28,522)		59,642	
Tax at the statutory tax rates	(7,270)	25	(7,131)	25	14,911	25
Profit attributable to an associate	(17)	—	(121)	—	(47)	—
Income not subject to tax	(87)	—	(218)	1	(1,266)	(2)
Expenses not deductible for tax	466	(1)	4,399	(15)	9,057	15
LAT	343	(1)	876	(3)	5,063	8
Tax charge/(credit) at the Target Group's effective rate	(6,565)	23	(2,195)	8	27,718	46

For the years ended 31 December 2015, 2016 and 2017, the share of tax attributable to an associate amounting to RMB67,000, RMB234,000, and RMB150,000, respectively, is included in the "Share of profits of an associate" in the consolidated profit or loss and other comprehensive income.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Furniture and fixtures *RMB'000*	Computer and office equipment *RMB'000*	Motor Vehicles *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2015	2,223	287	3,112	272	5,894
Additions	—	19	2,646	—	2,665
Disposals	—	(4)	(35)	—	(39)
At 31 December 2015	2,223	302	5,723	272	8,520
Additions	108	147	2,183	—	2,438
Disposals	—	(36)	(110)	(50)	(196)
At 31 December 2016	2,331	413	7,796	222	10,762
Additions	341	5	824	—	1,170
At 31 December 2017	2,672	418	8,620	222	11,932
Accumulated depreciation:					
At 1 January 2015	445	91	1,198	188	1,922
Depreciation provided during the year	445	51	1,036	31	1,563
Disposals	—	(2)	(30)	—	(32)
At 31 December 2015	890	140	2,204	219	3,453
Depreciation provided during the year	453	59	1,648	31	2,191
Disposals	—	(29)	(100)	(45)	(174)
At 31 December 2016	1,343	170	3,752	205	5,470
Depreciation provided during the year	458	66	1,412	—	1,936
At 31 December 2017	1,801	236	5,164	205	7,406
Carrying amounts:					
At 31 December 2015	1,333	162	3,519	53	5,067
At 31 December 2016	988	243	4,044	17	5,292
At 31 December 2017	871	182	3,456	17	4,526

11. INVESTMENT PROPERTIES

	Investment properties at fair value *RMB'000*
Carrying amount at 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016 and 1 January 2017	—
Transfer from properties under development	395,894
Net gain from a fair value adjustment	85,424
Carrying amount at 31 December 2017	481,318

The Target Group's investment properties consist of two commercial properties in Mainland China. The directors of the Target Company determined that the investment properties consist of one class of assets, i.e., based on the nature, characteristics and risks of each property. The Target Group's investment properties were revalued on 31 December 2017 by 廣州啟誠房地產土地評估有限公司, independent professionally qualified valuers, at RMB481,318,000. The Target Group's management decides to appoint which external valuer to be responsible for the external valuations of the Target Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Target Group's management has discussions with the valuer on the valuation assumption, and valuation results.

As at 31 December 2017, the Target Group's investment properties with a carrying value of RMB481,318,000 were pledged to secure banking facilities granted to the Target Group (note 18).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's investment properties:

	Fair value measurement as at 31 December 2017 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1)** *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Commercial properties	—	—	481,318	481,318

During the Relevant Periods, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property *RMB'000*
Carrying amounts at 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016 and 1 January 2017	—
Transfer from properties under development	395,894
Net gain from a fair value adjustment	85,424
Carrying amount at 31 December 2017	481,318

Below is a summary of the valuation techniques used and the key inputs to the valuation of completed investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average**		
			2017	**2016**	**2015**
Commercial properties	Market approach	Market price (per sq. m.)	RMB29,000 to RMB58,400	N/A	N/A
	Term and revision approach	Market rent (per sq. m. and per month)	RMB84 to RMB171	N/A	N/A
		Market yield	6%	N/A	N/A

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The term and reversion approach

Under the term and reversion approach, fair value is estimated on the basis of capitalisation of existing rental income and reversionary market rental income potential. The market rentals of the investment properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rents are assessed by reference to the rentals achieved in the investment properties as well as other lettings of similar adjacent properties. The market yield, which is the capitalisation rate adopted, is made by reference to the yields derived from analysing the leasing and sales transactions of similar properties and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties.

A significant increase/decrease in the market rent in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the market yield in isolation would result in a significant decrease/increase in the fair value of the investment properties.

The market approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market. The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and others factors collectively, to arrive at the price per square meter.

A significant increase/decrease in the price would result in a significant increase/decrease in the fair value of the investment properties.

12. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	29,816	30,299	30,486

Particulars of the associate are as follows:

Name	Registered share capital	Place of registration and business	Percentage of ownership interest attributable to the Target Group	Principal activities
惠陽粵海房產發展有限公司	US$912,000	PRC/Mainland China	20	Property development

The following table illustrates the aggregate financial information of the Target Group's associate that are not individually material:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's profit for the year	67	483	187
Aggregate carrying amount of the Target Group's investment in an associate	29,816	30,299	30,486

13. PROPERTIES UNDER DEVELOPMENT

At 31 December 2015, 2016 and 2017, properties under development of RMB3,029,760,000, RMB1,740,891,000 and RMB1,886,747,000, respectively were not scheduled for completion within twelve months.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	3,665	11,204	12,332
Deposits and other receivables	3,542	3,414	6,553
	7,207	14,618	18,885

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. CASH AND BANK BALANCES AND RESTRICTED BANK BALANCES

		As at 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances		301,903	180,462	456,468
Less: Restricted bank balances	*(i)*	(66,221)	(50,965)	(140,023)
		235,682	129,497	316,445

Note:

(i) Balances at 31 December 2015, 2016 and 2017 included the deposits placed in designated bank accounts which was agreed with the PRC government for relocation compensation purpose amounting to approximately RMB66,221,000, RMB36,953,000 and RMB36,941,000, respectively. Balances as at 31 December 2016 and 2017 also included pre-sale proceeds from the Target Group's properties held for sale placed at designated bank accounts under supervision pursuant to relevant regulations in the PRC amounting to approximately RMB14,012,000 and RMB103,082,000, respectively.

At 31 December 2015, 2016 and 2017, all cash and bank balances of the Target Group are denominated in RMB which are not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	19	24	—
1 to 2 months	467	—	—
2 to 3 months	—	—	—
Over 3 months	6,932	1,405	902
	7,418	1,429	902

The trade payables are non-interest bearing.

17. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Accruals	113,367	138,231	194,670
Other payables	17,219	18,366	22,233
	130,586	156,597	216,903

Financial liabilities included in other payables and accruals at the end of the reporting period are non-interest bearing and are either due within one year or have no fixed terms of repayment.

18. INTEREST-BEARING BANK BORROWING

	As at 31 December								
	2015			2016			2017		
	Effective interest rate *(%)*	Maturity	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*
Current									
Bank loan, secured	N/A	N/A	—	N/A	N/A	—	3.8	2018	120,400
Non-current									
Bank loan, secured	N/A	N/A	—	N/A	N/A	—	3.8	2019-2020	309,600
			—			—			430,000

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year	—	—	120,400
In the second year	—	—	111,455
In the third to fifth years, inclusive	—	—	198,145
	—	—	430,000

The Target Group's bank borrowing is secured by the Target Group's investment properties situated in Mainland China, which had net carrying amount of RMB481,318,000 as at 31 December 2017 (note 11).

The interest-bearing bank borrowing is denominated in RMB.

19. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits *RMB'000*	Provision for LAT *RMB'000*	Revaluation of properties *RMB'000*	Total *RMB'000*
At 1 January 2015	24,610	2,614	—	27,224
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year *(note 9)*	6,844	64	—	6,908
At 31 December 2015 and at 1 January 2016	31,454	2,678	—	34,132
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year *(note 9)*	2,908	163	—	3,071
At 31 December 2016 and at 1 January 2017	34,362	2,841	—	37,203
Deferred tax charged to the consolidated statement of profit or loss and other comprehensive income during the year *(note 9)*	(1,207)	(92)	(21,356)	(22,655)
At 31 December 2017	33,155	2,749	(21,356)	14,548

20. SHARE CAPITAL

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Share capital	560,000	560,000	560,000

21. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in the Historical Financial Information.

Pursuant to the relevant PRC laws and regulations, a portion of the profits of the Target Group's subsidiary which are registered in the PRC has been transferred to the enterprise development funds and the reserve funds which are restricted as to use and are not available for distribution. When the balances of these reserves reach 50% of each company's share capital, any further appropriation is optional. The amounts transferred from the retained profits are determined by the board of directors of the subsidiary.

22. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST

Details of the Target Company's subsidiary that has material non-controlling interest are set out below:

	As at 31 December		
	2015	**2016**	**2017**
Percentage of equity interest held by non-controlling interest:			
中山市嘉路華花園發展公司	40%	40%	40%

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Loss for the year allocated to non-controlling interest:			
中山市嘉路華花園發展公司	526	107	64

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Accumulated balance of non-controlling interest at the reporting date:			
中山市嘉路華花園發展公司	17,228	17,121	17,057

	Year ended 31 December		
	2015	**2016**	**2017**
中山市嘉路華花園發展公司	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	4,769	12,367	11,468
Total expenses	(6,085)	(12,635)	(11,628)
Loss for the year and total comprehensive loss for the year	(1,316)	(268)	(160)

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Current assets	136,160	136,577	144,581
Non-current assets	3,995	3,992	3,234
Current liabilities	(97,084)	(97,766)	(105,172)
Net cash flows from operating activities and net increase in cash and cash equivalents	12,731	7,294	13,489

23. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Loans from group companies	Interest-bearing bank borrowings
	RMB'000	*RMB'000*
At 1 January 2015	1,107,993	—
Changes from financing cash flows	271,000	—
Interest paid classified as operating cash flows	61,323	—
At 31 December 2015 and 1 January 2016	1,440,316	—
Changes from financing cash flows	342,000	—
Interest paid classified as operating cash flows	64,896	—
At 31 December 2016 and 1 January 2017	1,847,212	—
Changes from financing cash flows	205,910	430,000
Interest paid classified as operating cash flows	4,008	—
At 31 December 2017	2,057,130	430,000

24. PLEDGE OF ASSETS

Details of the Target Group's assets pledged for the Target Group's bank loan are included in note 18 to the Historical Financial Information.

25. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Target Group sub-leases a portion of its office under operating lease arrangements, with leases negotiated for terms of three years. The terms of the leases generally also require the tenants to pay security deposits.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within one year	150	150	150
In the second to fifth years, inclusive	300	150	—
	450	300	150

(b) As lessee

The Target Group leases its offices properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease payments under non-cancellable operating leases with its landlords falling due as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Within one year	4,138	4,247	3,145
In the second to fifth years, inclusive	8,668	4,421	1,376
	12,806	8,668	4,521

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 to the Historical Financial Information, the Target Group had the following commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Contracted, but not provided for:			
Property development expenditure	470,196	345,796	243,933

27. CONTINGENT LIABILITIES

The Target Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Target Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Target Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and the Target Group is entitled but not limited to take over the legal titles and possession of the related properties. The Target Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2017, the Target Group's outstanding guarantees amounted to RMB35,306,000 (2016: Nil) for these guarantees.

28. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

(i) As at 31 December 2017, the loans from the immediate holding company included in non-current liabilities amounting to RMB28,038,000 were unsecured, interest-bearing at 4.75% per annum and were not repayable within one year.

The remaining balance with the immediate holding company was unsecured, interest-free and repayable on demand or within one year.

(ii) As at 31 December 2015, 2016 and 2017, the loans from an intermediate holding company included in non-current liabilities amounting to RMB1,280,316,000 RMB766,888,000 and RMB1,240,432,000, respectively, were unsecured, interest-bearing at 4.75% to 6.65% per annum and were not repayable within one year.

As at 31 December 2016 and 2017, the loans from an intermediate holding company included in current liabilities amounting to RMB428,324,000 and RMB137,788,000, respectively, were unsecured, interest bearing at 6.15% to 6.65% per annum, and were repayable within one year.

The remaining balance with an intermediate holding company was unsecured, interest-free and repayable on demand or within one year.

(iii) As at 31 December 2015, 2016 and 2017, the loans from fellow subsidiaries included in non-current liabilities amounting to RMB160,000,000, RMB492,000,000 and RMB650,872,000 respectively, were unsecured, interest-bearing at 4.75% to 6.15% per annum and were not repayable within one year.

As at 31 December 2016, the loans from fellow subsidiaries included in current liabilities amounting to RMB160,000,000 were unsecured, interest bearing at 6.15% per annum, and were repayable within one year.

The remaining balances with fellow subsidiaries were unsecured, interest-free and repayable on demand or within one year.

(iv) As at 31 December 2015, 2016 and 2017, the amounts due to an associate amounting to RMB73,306,000, RMB73,320,000 and RMB73,325,000, respectively, were unsecured, interest-free and repayable on demand or within one year.

(b) Compensation of key management personnel of the Target Company:

Key management personnel of the Target Group comprises the directors of the Target Group. Details of the directors' remuneration are included in note 8 to the Historical Financial Information.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

	Loans and receivables		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Financial assets included in prepayments, deposits and other receivables	3,358	3,298	4,575
Restricted bank balances	66,221	50,965	140,023
Cash and bank balances	235,682	129,497	316,445
	305,261	183,760	461,043

Financial liabilities

	Financial liabilities at amoritsed cost		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
Trade payables	7,418	1,429	902
Financial liabilities included in other payables and accruals	114,056	140,260	197,543
Due to the immediate holding company	—	—	1,000
Due to an intermediate holding company	66,108	40,023	40,023
Due to fellow subsidiaries	1,363,582	1,214,666	1,120,517
Due to an associate	73,306	73,320	73,325
Interest-bearing bank borrowing	—	—	430,000
Loan from the immediate holding company	—	—	28,038
Loan from an intermediate holding company	1,280,316	1,195,212	1,378,220
Loan from fellow subsidiaries	160,000	652,000	650,872
	3,064,786	3,316,910	3,920,440

30. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and bank balances, restricted bank balances, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowing and current portion of balances with the immediate holding company, an intermediate holding company, fellow subsidiaries and an associate, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current interest-bearing bank borrowing and loans from the immediate holding company, an intermediate holding company and fellow subsidiaries have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate to their carrying amounts.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and bank balances, restricted bank balances, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowing and balances with an intermediate holding company, the immediate holding company, an associate and fellow subsidiaries. The main purpose of these financial instruments is to provide finance for the Target Group's operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's interest-bearing bank borrowing and loans from the immediate holding company, an intermediate holding company and fellow subsidiaries which are based on benchmark loan interest rate stipulated by the People's Bank of China. The Target Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facility regularly. The Target Group had not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 December 2015, 2016 and 2017, if the interest rate on borrowing had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the result before tax for the year would have been increased/decreased by RMB102,000, RMB127,000 and RMB175,000, respectively, as a result of higher/lower interest expenses on bank borrowings and loans from group companies.

Credit risk

The credit risk of the Target Group's other financial assets, which comprise cash and bank balances, restricted bank balances and financial assets included in prepayments, deposits and other receivables, arises from default of the counter party with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instrument and financial assets and projected cash flows from operations.

The objective of the Target Group is to maintain a balance between continuity of funding and flexibility through the funding from a subsidiary and also through the use of interest-bearing bank borrowing, and loans from group companies.

The maturity profile of the financial liabilities of the Target Group as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2015

	On demand *RMB'000*	Less than 12 months *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade payables	—	686	6,732	7,418
Financial liabilities included in other payables and accruals	241	113,815	—	114,056
Due to an intermediate holding company	—	66,108	—	66,108
Due to fellow subsidiaries	—	1,363,582	—	1,363,582
Due to an associate	—	73,306	—	73,306
Loan from intermediate holding company	—	—	1,460,572	1,460,572
Loan from fellow subsidiaries	—	9,867	165,419	175,286
	241	1,627,364	1,632,723	3,260,328

As at 31 December 2016

	On demand *RMB'000*	Less than 12 months *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade payables	—	24	1,405	1,429
Financial liabilities included in other payables and accruals	442	139,818	—	140,260
Due to an intermediate holding company	—	40,023	—	40,023
Due to fellow subsidiaries	—	1,214,666	—	1,214,666
Due to an associate	—	73,320	—	73,320
Loan from intermediate holding company	—	436,604	870,791	1,307,395
Loan from fellow subsidiaries	—	189,607	575,366	764,973
	442	2,094,062	1,447,562	3,542,066

As at 31 December 2017

	On demand *RMB'000*	Less than 12 months *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade payables	—	56	846	902
Financial liabilities included in other payables and accruals	312	197,231	—	197,543
Due to the immediate holding company	—	1,000	—	1,000
Due to an intermediate holding company	—	40,023	—	40,023
Due to fellow subsidiaries	—	1,120,517	—	1,120,517
Due to an associate	—	73,325	—	73,325
Interest-bearing bank borrowings	—	134,711	320,621	455,332
Loan from immediate holding company	—	—	31,650	31,650
Loan from intermediate holding company	—	163,552	1,489,719	1,653,271
Loan from fellow subsidiaries	—	28,023	729,736	757,759
	312	1,758,438	2,572,572	4,331,322

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, polices or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is total debt divided by equity plus total debt. Total debt includes interest-bearing bank borrowing. Equity represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	2015 *RMB'000*	2016 *RMB'000*	2017 *RMB'000*
Total debt	—	—	430,000
Equity attributable to the owners of the parent	489,514	463,294	495,282
Equity and net debt	489,514	463,294	925,282
Gearing ratio	0%	0%	46%

32. EVENTS AFTER THE REPORTING PERIODS

(a) The Target Company has undergone a demerger of assets and liabilities under the PRC law, pursuant to which certain assets and liabilities unrelated to the Acquisition as at 1 January 2018 were transferred to a new entity (the "Demerger"), which is held by 廣東粵港投資開發有限公司(Guangdong Yuegang Investment Development Co., Ltd.) and 廣東粵港投資置業有限公司(Guangdong Yuegang Investment Property Co., Ltd.), equity holders of the Target Company (the "Vendors"). The industry and commerce registration of the Target Company as the subsisting entity under the Demerger was completed, and a new business license of the Target Company corresponding to its status after the Demerger was obtained on 9 April 2018.

Details of the assets and liabilities in connection with the Demerger are summariesed as follows:

	RMB'000
Properties under development	1,886,747
Prepayments, deposits and other receivables	3,383
Restricted bank balances	24,285
Cash and bank balances	249,350
Other payables and accruals	(8,831)
Due to fellow subsidiaries	(679,109)
Loans from an intermediate holding company	(1,164,282)
Loans from fellow subsidiaries	(59,543)
	252,000

During the Relevant Periods, the assets and liabilities in connection with the Demerger did not contribute material profit or loss to the Target Company.

(b) On 31 January 2018, the Target Company entered into share transfer agreements with the immediate holding company to transfer its equity interest in the 60% owned subsidiary and its equity interest in the 20% owned associate for a consideration of RMB43,158,000 and RMB39,133,000, respectively. The disposal of the subsidiary and the associate was completed in April 2018.

(c) On 27 April 2018, the Company entered into an agreement with the Vendors, to acquire the entire equity interest in the Target Company at a cash consideration of RMB1,200,490,000 and to procure the Target Company to repay outstanding loans, together with accrued interest up to 31 March 2018, with an aggregate amount of RMB842,139,000 as follows:

	RMB'000
Loan from the immediate holding company	28,049
Loans from an intermediate holding company	216,477
Loans from fellow subsidiaries	597,613
	842,139

33. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company at the end of each of the Relevant Periods is as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	***RMB'000***	***RMB'000***
NON-CURRENT ASSETS			
Property, plant and equipment	5,023	5,259	4,496
Investment properties	—	—	481,318
Investment in a subsidiary	22,345	22,345	22,345
Investment in an associate	11,927	11,927	11,927
Deferred tax assets	27,543	32,372	11,344
Total non-current assets	66,838	71,903	531,430
CURRENT ASSETS			
Properties under development	3,029,760	3,384,865	1,886,747
Properties held for sale	101,974	102,365	1,548,251
Prepayments, deposits and other receivables	6,834	14,252	18,562
Due from a subsidiary	1,118	883	811
Restricted bank balances	66,220	50,965	140,023
Cash and bank balances	191,943	78,464	251,924
Total current assets	3,397,849	3,631,794	3,846,318
CURRENT LIABILITIES			
Trade payables	6,355	369	365
Other payables and accruals	130,128	156,080	216,277
Receipts in advance	—	13,828	47,605
Interest-bearing bank borrowing	—	—	120,400
Due to the immediate holding company	—	—	1,000
Due to an intermediate holding company	26,108	23	23
Due to fellow subsidiaries	1,320,348	1,171,280	1,077,049
Due to an associate	73,306	73,320	73,325
Loans from an intermediate holding company	—	428,324	137,788
Loans from fellow subsidiaries	—	160,000	—
Tax payable	—	—	1,491
Total current liabilities	1,556,245	2,003,224	1,675,323
NET CURRENT ASSETS	1,841,604	1,628,570	2,170,995
TOTAL ASSETS LESS CURRENT LIABILITIES	1,908,442	1,700,473	2,702,425

	At 31 December 2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	—	—	309,600
Loans from the immediate holding company	—	—	28,038
Loans from an intermediate holding company	1,280,316	766,888	1,240,432
Loans from fellow subsidiaries	160,000	492,000	650,872
Total non-current liabilities	1,440,316	1,258,888	2,228,942
Net assets	468,126	441,585	473,483
EQUITY			
Share capital	560,000	560,000	560,000
Accumulated losses *(note)*	(91,874)	(118,415)	(86,519)
Total equity	468,126	441,585	473,483

Note:

A summary of the Target Company's accumulated losses is as follows:

	Accumulated losses *RMB'000*
At 1 January 2015	(70,606)
Loss for the year and total comprehensive loss for the year*	(21,268)
At 31 December 2015 and 1 January 2016	(91,874)
Loss for the year and total comprehensive loss for the year*	(26,541)
At 31 December 2016 and 1 January 2017	(118,415)
Profit for the year and total comprehensive income for the year*	31,896
At 31 December 2017	(86,519)

* The Company's revenue, gross profit and profit/(loss) before tax for the Relevant Periods were as follows:

	2015 *RMB'000*	**2016** *RMB'000*	**2017** *RMB'000*
Revenue	150	145	55,355
Gross profit	150	145	18,225
Profit/(loss) before tax	(27,789)	(31,370)	56,471

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or its subsidiary in respect of any period subsequent to 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Unless otherwise specified, the terms used in this Appendix III shall have the same meanings as those set out in this circular.

According to the information of the National Bureau of Statistics of the PRC, the preliminary statistics of the national gross domestic product of the PRC for 2017 has a year-on-year increase of approximately 6.9%, and the national nominal disposable income per capita of the PRC increased by 9.0% as compared to that of last year. According to the price index of newly-built residential properties in 70 large to medium-sized cities in the PRC in December 2017, the residential price index of Guangzhou had increased by approximately 5.5%.

For the three years ended 31 December 2015, 2016 and 2017, the Target Company was principally engaged in property development, project investment, property development consultation, corporate management consultation and investment consultation. The Target Company has undergone the Demerger in January 2018. After the completion of the Demerger, the Zhuguanglu Project and the Baohuaxuan Project are the principal assets of the Target Company.

The following analysis is based on the assumption that the Demerger was completed on 1 January 2015, and all financial information presented below relates to the Zhuguanglu Project and the Baohuaxuan Project only, excluding the demerged project, one disposed subsidiary and one disposed associated company.

FINANCIAL SUMMARY OF THE TARGET COMPANY (IN RELATION TO THE PROPERTIES)

	Year ended 31 December				
	2015	**2016**	**Change**	**2017**	**Change**
	RMB'000	*RMB'000*		*RMB'000*	
Revenue	150	145	-3.3%	55,355	+38,075.9%
Profit/(loss) before tax	(27,789)	(31,370)	+12.9%	56,471	N/A
Profit/(loss) for the year	(21,268)	(26,541)	+24.8%	31,896	N/A

	31 December 2015	**31 December 2016**	**Change**	**31 December 2017**	**Change**
	RMB'000	*RMB'000*		*RMB'000*	
Total assets	1,553,340	1,840,486	+18.5%	2,180,132	+18.5%
Total liabilities	(1,371,487)	(1,685,174)	+22.9%	(1,992,924)	+18.3%
Net assets	181,853	155,312	-14.6%	187,208	+20.5%

RESULTS

The consolidated revenue of the Target Company for each of the three years ended 31 December 2015, 2016 and 2017 amounted to approximately RMB4.9 million, RMB12.5 million and RMB66.8 million, respectively. The revenue generated in relation to the Properties amounted approximately RMB0.15 million, RMB0.15 million and RMB55.36 million for the three years ended 31 December 2015, 2016 and 2017, respectively. The revenues for 2015 and 2016 were mainly from rental income, while the revenue for 2017 was mainly attributable to the sale of the Baohuaxuan Properties. During 2017, residential units of the Baohuaxuan Properties with a total gross floor area of approximately 1,452 sq. m. were sold and delivered.

The consolidated loss for the year of the Target Company for each of the two years ended 31 December 2015 and 2016 amounted to approximately RMB22.5 million and RMB26.3 million, respectively. The consolidated profit for the year of the Target Company for the year ended 31 December 2017 amounted to approximately RMB31.9 million. The loss for the year in relation to the Properties for each of the two years ended 31 December 2015 and 2016 amounted to approximately RMB21.3 million and RMB26.5 million, respectively. The profit for the year in relation to the Properties for the year ended 31 December 2017 amounted to approximately 31.9 million. Given the total gross floor area of the Baohuaxuan Properties for sale was relatively small, revenue generated from the sale of the properties under this project was not sufficient to cover the cost and expense in relation to the Properties of the Target Company. Accordingly, the Target Company recorded an operating loss in relation to the Properties for 2015, 2016 and 2017, respectively.

During 2017, the profit for the year from the Properties included a net gain of approximately RMB64.1 million, which was resulted from changes in the fair value of investment properties of the Target Company. Such changes in fair value were attributable to the revaluation of investment properties under the Zhuguanglu Project.

BUSINESS REVIEW

Zhuguanglu Project

The Target Company has undertaken the construction and development of certain residential and commercial properties located at 43-79 Zhuguang Road, Yuexiu District (越秀區珠光路43-79號) in Guangzhou, the PRC with a total site area of approximately 12,168 sq. m. The Zhuguanglu Properties have an aggregate gross floor area of approximately 119,267 sq. m. (comprising (i) approximately 65,636 sq. m. for residential use; (ii) approximately 22,817 sq. m. for commercial use; and (iii) approximately 18,464 sq. m. as car-parking spaces, with the remainder of approximately 12,350 sq. m. being public facilities).

The filing in respect of the completion of construction (竣工備案) of the Zhuguanglu Project has been completed. It is expected that (i) the sale of the said residential properties will commence in 2018 and (ii) the leasing of the commercial properties will be marketed in accordance with the specific business plan taking into account the then sales of the residential properties.

The Target Company acquired the land use rights to the land under the Zhuguanglu Project from the PRC Government through public auction. The Target Company's costs for the acquisition of such land and development of the Zhuguanglu Properties (comprising the consideration for land acquisition and the relevant payments in respect of such land and the development costs of the Zhuguanglu Properties) amounted to approximately RMB2,029 million in aggregate as at 31 March 2018.

Baohuaxuan Project

The Target Company has also undertaken the construction and development of certain residential properties located between Wenchang South Road (文昌南路) and Old Baohua Road (舊寶華路) in Liwan District (荔灣區) in Guangzhou, the PRC with a total site area of approximately 1,374 sq. m. The Baohuaxuan Properties comprise 40 residential units and 20 car-parking spaces, with an aggregate gross floor area of approximately 5,240 sq. m. The filing in respect of the completion of construction (竣工備案) of the Baohuaxuan Project has been completed.

The Target Company acquired the land use rights to the land under the Baohuaxuan Project from the PRC Government through public auction. The Target Company's costs for the acquisition of such land and development of the Baohuaxuan Properties (comprising the consideration for land acquisition and the relevant payments in respect of such land and the development costs of the Baohuaxuan Properties) amounted to approximately RMB97.55 million in aggregate as at 31 March 2018.

Sale of the Baohuaxuan Properties commenced in 2016. The Target Company signed 1 and 16 sale contract(s) in respect of the residential units of the Baohuaxuan Properties in 2016 and 2017, respectively. In 2016, no residential unit was delivered to the customer while in 2017, 15 residential units of the Baohuaxuan Properties with an aggregate gross floor area of approximately 1,452 sq. m. were delivered to the customers.

FINANCIAL REVIEW

Key financial ratios (in relation to the Properties)

The key financial ratios mainly reflected the results, return on equity and gearing ratio of the Target Company for three years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December				
	2015	**2016**	**Change**	**2017**	**Change**
Profit/(loss) for the year, in thousand RMB	(21,268)	(26,541)	+24.8%	31,896	N/A
Return on equity, %	-11.7%	-17.1%	-5.4 ppt	+17.0%	+34.1 ppt
	31 December 2015	**31 December 2016**	**Change**	**31 December 2017**	**Change**
Net assets, in thousand RMB	181,853	155,312	-14.6%	187,208	+20.5%
Interest-bearing loans, in thousand RMB	463,000	820,600	+77.2%	1,223,510	+49.1%
Gearing ratio, times	2.55	5.28	+107.1%	6.54	+23.9%

Notes:

1. *Return on equity = Loss for the year ÷ year-end net assets*

2. *Gearing ratio = Interest-bearing loans ÷ net assets*

Given that the main development project of the Target Company, the Zhuguanglu Project, was still under development for the years ended 31 December 2015, 2016 and 2017, the Target Company recorded an operating loss in respect of the Properties for all the three years. The Target Company had a registered and paid-up capital of approximately RMB308 million after the Demerger, whereas the accumulated development costs of the Zhuguanglu Project and the Baohuaxuan Project were about RMB2 billion in aggregate as at the end of 2017. As the capital required for the development of the Projects was mainly obtained from borrowings, the Target Company had a relatively high gearing ratio.

Operating income, expenses and finance costs

For the years ended 31 December 2015, 2016 and 2017, the Target Company's consolidated selling and distribution expenses amounted to approximately RMB5.29 million, RMB6.37 million and RMB10.08 million, respectively. For the years ended 31 December 2015, 2016 and 2017, the Target Company's selling and distribution expenses in relation to the Properties amounted to approximately RMB3.24 million, RMB4.53 million and RMB9.02 million, respectively. The higher selling and distribution expenses recorded in 2017 were mainly attributable to the promotion and sale expenditures incurred in relation to the sale of the Baohuaxuan Properties.

For the years ended 31 December 2015, 2016 and 2017, the Target Company's consolidated administrative expenses amounted to approximately RMB26.6 million, RMB28.5 million and RMB37.2 million, respectively. For the years ended 31 December 2015, 2016 and 2017, the Target Company's administrative expenses in relation to the Properties amounted to approximately RMB24.7 million, RMB26.6 million and RMB34.7 million, respectively. The higher administrative expenses recorded in 2017 were mainly attributable to the increase in salaries and related expenses.

For the years ended 31 December 2015, 2016 and 2017, the Target Company's consolidated finance costs amounted to approximately RMB41,000, RMB671,000 and RMB4.0 million, respectively. For the three years ended 31 December 2015, 2016 and 2017, the Target Company's finance costs in relation to the Properties were the same as the above amounts. As the loans obtained by the Target Company were mainly used in the development of the Projects, most of the finance costs could be capitalised over the project development periods. For the years ended 2015, 2016 and 2017, the Target Company's capitalised finance costs in relation to the Properties were approximately RMB32.3 million, RMB32.9 million and RMB49.2 million, respectively.

Capital expenditure

For the years ended 31 December 2015, 2016 and 2017, the Target Company's general capital expenditures amounted to approximately RMB2.7 million, RMB2.4 million and RMB1.2 million, respectively. The capital expenditures were mainly used for the purchase of equipment.

Material acquisitions and disposals

For the three years ended 31 December 2015, 2016 and 2017, the Target Company did not have any material acquisitions and disposals of subsidiaries or associated companies.

Financial resources and liquidity

As at 31 December 2015, 2016 and 2017, the Target Company's consolidated net assets amounted to approximately RMB507 million, RMB480 million and RMB512 million, respectively. As at 31 December 2015, 2016 and 2017, the Target Company's net assets in relation to the Properties amounted to approximately RMB182 million, RMB155 million and RMB187 million, respectively.

As at 31 December 2015, 2016 and 2017, the Target Company's consolidated cash and bank balances amounted to approximately RMB236 million, RMB129 million and RMB316 million, respectively. As at 31 December 2015, 2016 and 2017, the Target Company's cash and bank balances in relation to the Properties amounted to approximately RMB21 million, RMB41 million and RMB118 million, respectively. As the daily operation of the Target Company was conducted in the PRC and denominated in RMB, the currency exposure from these transactions was low. During the three years ended 31 December 2015, 2016 and 2017, the Target Company did not take the initiative to perform currency hedge for such transactions.

As at 31 December 2015, 2016 and 2017, the Target Company's consolidated outstanding interest-bearing loan balances amounted to approximately RMB1,440 million, RMB1,847 million and RMB2,487 million, respectively. As at 31 December 2015, 2016 and 2017, the Target Company's outstanding interest-bearing loan balances in relation to the Properties were approximately RMB463 million, RMB821 million and RMB1,224 million, respectively. In addition to its registered capital, the Target Company mainly used interest-bearing loans to finance the development of the Projects. In 2017, proceeds from the sale of Baohuaxuan Properties were used to partially finance the development of Zhuguanglu Properties. During the year ended 31 December 2015, 2016 and 2017, the Target Company has arranged sufficient funds to finance the development of the Projects. The abovementioned outstanding interest-bearing loans were unguaranteed borrowings denominated in RMB with a fixed interest rate between 3.8% and 6.65% per annum. As at 31 December 2015 and 2016, all of the Target Company's outstanding interest-bearing loan balances in relation to the Properties were not repayable within 12 months. As at 31 December 2017, approximately RMB170 million out of RMB1,224 million of the Target Company's outstanding interest-bearing loan balances in relation to the Properties were repayable within 12 months. The remaining portion of approximately RMB1,054 million of the Target Company's outstanding interest-bearing loan balances in relation to the Properties was not repayable within 12 months. It is expected that the Target Company will mainly use borrowings to finance the development of the Zhuguanglu Project in 2018.

As at 31 December 2015 and 2016, none of the assets of the Target Company was pledged to any creditors. As at 31 December 2017, the Target Company pledged Zhuguanglu Properties with a gross floor area of approximately 22,361 sq. m. to a commercial bank in the PRC in relation to a bank loan. Except as disclosed in note 27 under Appendix II to this circular regarding the guarantees made to certain banks in relation to the mortgages of the properties sold of approximately RMB35.31 million as at 31 December 2017, there were no other material contingent liabilities recorded in relation to the Properties as at 31 December 2015, 2016 and 2017, respectively.

RECONCILIATION OF VALUATION OF THE PROPERTIES

The following reconciliation statement reconciles the carrying amount of the relevant properties as at 31 December 2017 extracted from Appendix II to this circular to the value of the Properties of the Target Company as at 31 March 2018 set out in the valuation report in Appendix V to this circular.

	RMB'000
Carrying amount of the property interests of the Target Company as at 31 December 2017:	
Investment Properties	481,318
Properties held for sale	1,627,987
Properties under development	1,886,747
	3,996,052
Movements in carrying amount of the property interests of the Target Company from January to March 2018:	
Demerger on 1 January 2018	(1,886,747)
Disposal of a subsidiary	(84,855)
Sale of Baohuaxuan Properties	(3,922)
Additions to the property interests	151,564
Carrying amount of the Properties of the Target Company as at 31 March 2018:	2,172,092
Net valuation surplus	2,387,908
Valuation of the Properties as at 31 March 2018	4,560,000

Note:

It is disclosed in the section headed "Basis of determination of the Total Payment" in the "Letter from the Board" contained in this circular that the related book value of the Properties as at 31 March 2018 was approximately RMB2,151,092,000. The amount of difference from the above carrying amount of the Properties of the Target Company as at 31 March 2018 of approximately RMB21,000,000 represents the deferred tax liabilities in relation to the above investment properties of the Target Company.

RISKS AND UNCERTAINTIES

Given that the Target Company is engaged in the business of property development and investment in the Mainland China, risks and uncertainties of its business are principally associated with the property market and property prices in the Mainland China. The property market in the Mainland China is affected by a number of factors which include, among other things, economic environment, property supply and demand, the PRC Government's fiscal and monetary and taxation policies and austerity measures on the real estate sector, etc. The Projects were all located in Guangzhou City, involving properties of different types and serving different purposes, so as to effectively diversify operational risks. Certain commercial properties under the Zhuguanglu Project are for lease, the relevant rental income is expected to provide the Target Company with stable income and cash flows.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

Holding the interest of every customer in high regard, the Target Company provided its customers with adequate information about its products and responded to any issue and question raised by customers or potential customers regarding the products offered with an aim to further build up customers' confidence in the products of the Target Company.

The Target Company's Properties were largely designed or constructed by a variety of suppliers and constructors. The Target Company selected appropriate suppliers for major projects through tender procedures, establishing a database of supplier resources and brands, and managing the suppliers by conducting performance appraisal and review.

POLICY AND PERFORMANCE ON ENVIRONMENTAL PROTECTION

The Target Company strictly complies with the laws and regulations enacted by the Mainland China, including those in relation to environmental protection, social and governance. The Target Company's internal management for environmental, social and governance integrates the views of various stakeholders and is supported by its staff members.

The Target Company operates in the real estate business and it is very important to strictly comply with environmental laws and regulations on construction work. Any failure to observe the relevant environmental laws and regulations may result in the relevant authorities' rejection of the applications for construction projects. The Target Company strictly abided by the relevant environmental laws and regulations at the construction site of each Project, including but not limited to environmental protection, sewage treatment and environmental noise control.

HUMAN RESOURCES

As at 31 December 2015, 2016 and 2017, the Target Company had approximately 128, 152 and 149 employees, respectively. For the years ended 31 December 2015, 2016 and 2017, the total employee remuneration and provident fund contributions amounted to RMB25.61 million, RMB20.41 million and RMB30.32 million, respectively.

Various basic benefits were provided to the Target Company's staff with an incentive policy which was designed to remunerate staff by combined references to the Target Company's operating results as well as the performance of individual staff member. For the years ended 31 December 2015, 2016 and 2017, the Target Company offered different training courses to its employees and encouraged its employees to pursue continuing education.

OUTLOOK

In 2017, the PRC government incessantly tightened the control on the real estate market with frequent promulgation of new policies for the real estate industry. It is expected that the PRC Government's regulatory policies on the real estate market would not relax, whereas the regulatory policies would maintain or strengthen in their consistency and stability. On the whole, the stable economic development of the PRC and the steady momentum of investments in the real estate development will continue to fuel the stable development of the residential and commercial real estate industries in the PRC.

Currently, the Target Company holds the Zhuguanglu Project and the Baohuaxuan Project. The construction of the Zhuguanglu Project has basically been completed and sale of its residential units are expected to commence in 2018. The leasing of the commercial properties will be marketed in accordance with the specific business plans, taking into account the then sales of the residential properties. Located in the Yuexiu District, Guangzhou, the Zhuguanglu Project enjoys prime geographic location and convenient transportation. The Target Company is confident in the sales and leasing of the Zhuguanglu Properties. The development of the Baohuaxuan Project has been completed and sales has commenced in 2016. Located in Liwan District, Guangzhou, the Baohuaxuan Project enjoys convenient transportation in the proximity of a subway station. It is expected that all residential units under the Baohuaxuan Project will be sold in 2018. It is expected that the Projects will contribute to the Target Company's revenue, profits and cash flows in 2018.

The Target Company is not expected to have material investments or acquisition of capital assets in the foreseeable future. On 31 January 2018, the Target Company disposed of its 60% equity interest in a subsidiary 中山市嘉路華花園發展有限公司 (Zhongshan Jialuhua Garden Development Co. Ltd.) for a consideration of approximately RMB43.16 million and its 20% equity interest in an associated company 惠陽粵海房產發展有限公司(Huiyang Yuehai Property Development Co. Ltd.) for a consideration of approximately RMB39.13 million. The aforementioned disposals have been completed before the signing of the Agreement on 27 April 2018.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

This unaudited pro forma consolidated statement of financial position (the "Unaudited Pro Forma Financial Information") has been prepared for the purpose of providing shareholders of the Company with information about the impact of the proposed acquisition by illustrating how the Acquisition might have affected the financial position of the Group as at 31 December 2017, had the Acquisition taken place on 31 December 2017.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group, as enlarged by the acquisition of the Target Company, that would have been attained had the Acquisition been completed on 31 December 2017. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2017, which has been extracted from the published annual report of the Group for the year ended 31 December 2017, and the audited statement of financial position of the Target Group as at 31 December 2017, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 December 2017 (audited) *HK$'000* *(Note 1)*	The Target Group as at 31 December 2017 (audited) *RMB'000* *(Note 1)*	The Target Group as at 31 December 2017 (audited) *HK$'000* *(Note 1)*	Subtotal *HK$'000*	Pro forma adjustments *HK$'000* *(Note 2a)*	*HK$'000* *(Note 2b)*	*HK$'000* *(Note 2c)*	*HK$'000* *(Note 2d)*	*HK$'000* *(Note 2e)*	The Enlarged Group *HK$'000* *(Note 2f, 2g)*
NON-CURRENT ASSETS										
Property, plant and equipment	5,413	4,526	5,602	11,015						11,015
Investment properties	1,156,891	481,318	595,775	1,752,666						1,752,666
Investment in a subsidiary	—	—	—	—		1,485,939	(1,485,939)			—
Investment in an associate	—	30,486	37,736	37,736						37,736
Goodwill	—	—	—	—			1,163,692			1,163,692
Deferred tax assets	80,315	14,548	18,008	98,323						98,323
Total non-current assets	**1,242,619**	**530,878**	**657,121**	**1,899,740**						**3,063,432**
CURRENT ASSETS										
Properties held for sale	269,669	1,627,987	2,015,122	2,284,791						2,284,791
Properties under development	1,908,882	1,886,747	2,335,415	4,244,297	(2,335,415)					1,908,882
Prepayments, deposits and other receivables	34,624	18,885	23,376	58,000	(4,187)					53,813
Available-for-sale financial assets	1,161,178	—	—	1,161,178		(1,042,978)				118,200
Pledged bank deposit	44,316	—	—	44,316						44,316
Restricted bank balances	116,804	140,023	173,320	290,124	(30,060)					260,064
Cash and bank balances	602,749	316,445	391,696	994,445	(308,646)				(6,000)	679,799
Total current assets	**4,138,222**	**3,990,087**	**4,938,929**	**9,077,151**						**5,349,865**
CURRENT LIABILITIES										
Trade payables	(16,925)	(902)	(1,116)	(18,041)						(18,041)
Other payables, accruals and provisions	(150,636)	(216,903)	(268,483)	(419,119)	10,931					(408,188)
Receipts in advance	(57,847)	(54,790)	(67,819)	(125,666)						(125,666)
Interest-bearing bank and other borrowings	—	(120,400)	(149,031)	(149,031)		(442,961)		(1,042,399)		(1,634,391)
Due to the immediate holding company	—	(1,000)	(1,238)	(1,238)		1,238				—
Due to an intermediate holding company	—	(40,023)	(49,540)	(49,540)						(49,540)
Due to fellow subsidiaries	—	(1,120,517)	(1,386,976)	(1,386,976)	840,601	(1,238)				(547,613)
Due to an associate	—	(73,325)	(90,762)	(90,762)						(90,762)
Loans from an intermediate holding company	—	(137,788)	(170,554)	(170,554)	61,890			85,658		(23,006)
Tax payables	(405,282)	(14,036)	(17,374)	(422,656)						(422,656)
Total current liabilities	**(630,690)**	**(1,779,684)**	**(2,202,893)**	**(2,833,583)**						**(3,319,863)**
NET CURRENT ASSETS	3,507,532	2,210,403	2,736,036	6,243,568						2,030,002
TOTAL ASSETS LESS CURRENT LIABILITIES	4,750,151	2,741,281	3,393,157	8,143,308						5,093,434

	The Group as at 31 December 2017 (audited)	The Target Group as at 31 December 2017 (audited)	The Target Group as at 31 December 2017 (audited)	Subtotal	Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 1)*		*(Note 2a)*	*(Note 2b)*	*(Note 2c)*	*(Note 2d)*	*(Note 2e)*	*(Note 2f, 2g)*
NON-CURRENT LIABILITIES										
Interest-bearing bank and other borrowings	—	(309,600)	(383,223)	(383,223)						(383,223)
Loan from the immediate holding company	—	(28,038)	(34,705)	(34,705)				34,705		—
Loans from an intermediate holding company	—	(1,240,432)	(1,535,407)	(1,535,407)	1,379,258			156,149		—
Loans from fellow subsidiaries	—	(650,872)	(805,649)	(805,649)	73,702			731,947		—
Deferred tax liabilities	(73,506)	—	—	(73,506)						(73,506)
Total non-current liabilities	**(73,506)**	**(2,228,942)**	**(2,758,984)**	**(2,832,490)**						**(456,729)**
Net assets	**4,676,645**	**512,339**	**634,173**	**5,310,818**						**4,636,705**
EQUITY										
Equity attributable to owners of the Company										
Share capital	(171,154)	(560,000)	(693,168)	(864,322)	311,926		381,242			(171,154)
Reserves	(4,347,050)	64,718	80,108	(4,266,942)			(80,108)	33,940	6,000	(4,307,110)
Non-controlling interests	(158,441)	(17,057)	(21,113)	(179,554)				21,113		(158,441)
Total equity	**(4,676,645)**	**(512,339)**	**(634,173)**	**(5,310,818)**						**(4,636,705)**

1. BASIS OF PREPARATION

This Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the audited consolidated statement of financial position of the Group as at 31 December 2017, which has been extracted from the audited financial statements of the Group for the year ended 31 December 2017, and (ii) the audited consolidated statement of financial position of the Target Group as at 31 December 2017, which has been extracted from the accountants' report of the Target Group included in Appendix II to this circular; and adjusted in accordance with the pro forma adjustments described in note 2 below, as if the Acquisition had been completed on 31 December 2017.

The consolidated statement of financial position of the Target Group and other items denominated in Renminbi ("RMB") are translated into Hong Kong dollars at the approximate exchange rate of HK$1 to RMB0.8079, for illustration purpose only and such transaction does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Group in the audited financial statements for the year ended 31 December 2017.

2. NOTES TO THE PRO FORMA ADJUSTMENTS

(a) Pursuant to the Agreement, the Target Company had undergone a demerger of assets and liabilities under PRC law, pursuant to which certain assets and liabilities unrelated to the Acquisition with a net carrying amount of RMB252,000,000 (equivalent to approximately HK$311,926,000) were transferred to a new entity by way of distribution of assets through capital reduction.

(b) The purchase consideration of the Target Company shall be satisfied by cash of RMB1,200,490,000 (equivalent to approximately HK$1,485,939,000), subject to adjustments as stipulated in the Agreement. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that there is no adjustment in consideration upon completion of the Acquisition.

The directors of the Company estimated that HK$1,042,978,000 would be financed by internal funding, while the remaining HK$442,961,000 would be financed by external loan facilities.

(c) Under Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the Group will apply the purchase method to account for the acquisition of the entire equity interest of the Target Company in the consolidated financial statements of the Group. The goodwill arising from the Acquisition is calculated as follows:

	Notes	*HK$'000*
Purchase cost of the Target Company	*(i)*	1,485,939
Pro forma assumed fair value of identifiable net assets acquired	*(ii)*	(322,247)
Goodwill		1,163,692

(i) The purchase cost of the Target Company represents the purchase consideration as mentioned in note 2(d).

(ii) For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, in the opinion of the Directors, the Target Group's fair value of the assets and liabilities being acquired is subject to change upon completion of the Acquisition because the fair value of the assets and liabilities being acquired shall be assessed on the date of completion.

Since this Unaudited Pro Forma Financial Information of the Enlarged Group is prepared solely for illustrative purpose, the directors of the Company had assumed that the carrying values of the identifiable assets and liabilities of the Target Company with net amount as at 31 December 2017 of HK$322,247,000 approximate to their fair values, which will be reassessed on the completion date of the Acquisition. The fair values of the assets and liabilities being acquired may be subject to change after further assessment by the Directors at the date of completion.

HK$322,247,000 represented the carrying value of the net assets of the Target Group at 31 December 2017 minus the carrying value of net assets being demerged as detailed in note 2(a).

(d) According to the Agreement, the Company shall procure the Target Company to repay the outstanding loans principal amount, together with outstanding interest accrued up to 31 March 2018, of RMB842,139,000 (equivalent to approximately HK$1,042,399,000) in aggregate, from certain related companies. Interest expenses accrued on these loans for the period from 1 January 2018 to 31 March 2018 amounted to RMB27,420,000 (equivalent to approximately HK$33,940,000).

The directors of the Company estimated that the repayment of HK$1,042,399,000 will be financed by external loan facilities.

(e) For the purpose of the Unaudited Pro Forma Financial Information, the transaction expenses, such as professional service fees, that are directly attributable to the Acquisition are estimated to be HK$6,000,000 and are charged to profit or loss.

(f) Prior to the Acquisition, in January 2018, the Target Company entered into a share transfer agreement with its immediate holding company to dispose of its equity interest in a 20% owned associate for a cash consideration of RMB39,133,000 (equivalent to approximately HK$48,439,000). The gain on disposal of the investment in an associate is computed as follows:

	HK$'000
Consideration receivable	48,439
Less: Carrying amount of the investment in an associate disposed of	(37,736)
Less: Tax on disposal gain	(6,801)
Net gain on disposal of an associate	3,902

No pro forma adjustment has been made to reflect this transaction of the Target Group, as it was entered into subsequent to 31 December 2017.

(g) Prior to the Acquisition, in January 2018, the Target Company entered into a share transfer agreement with its immediate holding company to dispose of its equity interest in a 60% owned subsidiary for a cash consideration of RMB43,158,000 (equivalent to approximately HK$53,420,000). The gain on disposal of the subsidiary is computed as follows:

	HK$'000
Consideration receivable	53,420
Add: Non-controlling interests	21,113
Less: Carrying amount of net assets disposed of	(52,782)
Less: Tax on disposal gain	(5,203)
Net gain on disposal of a subsidiary	16,548

No pro forma adjustment has been made to reflect this transaction of the Target Group, as it was entered into subsequent to 31 December 2017.

B. INDEPENDENT REPORTING ACCOUNTANTS ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.

EY安永

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To the Directors of Guangdong Land Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Guangdong Land Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2017 and the related notes set out in section A of Appendix IV of the circular dated 18 May 2018 issued by the Company (the "**Circular**") (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of the entire equity interest in 廣東粵海房地產開發有限公司 (the "**Target Company**") (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page 81 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2017, as if the Acquisition had taken place on 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's audited financial statements for the year ended 31 December 2017. Information about the financial position of the Target Group as at 31 December 2017, has been extracted by the Directors from the accountants' report of the Target Group as set out in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

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

Our independence and quality control

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

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, 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 accountants' 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 Unaudited Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition 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 Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the 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 on the basis stated;

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

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

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

18 May 2018

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

18 May 2018

The Directors
Guangdong Land Holdings Limited
18th Floor,
Guangdong Investment Tower,
148 Connaught Road Central,
Hong Kong

Dear Sirs,

In accordance with the instructions of Guangdong Land Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") for us to value the property interests in the People's Republic of China ("**the PRC**"), we confirm that we have carried out an inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 March 2018 ("**valuation date**") for the purpose of incorporation in the circular.

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

In valuing Property 1, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach for the residential portion and car park portion of the property by making reference to comparable sales evidences as available in the relevant market and direct capitalization of the market rental income for the market value of the retail portion of the property and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

In valuing Property 2, we have assessed the value of the properties by adopting the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the properties.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests, we have relied on the legal opinion (the "**PRC legal opinion**") provided by the Company's PRC legal adviser, Kunlun Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken. We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

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

Our valuation is prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interests in the PRC as at 31 March 2018 was HK$1=RMB0.8079. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK$) between that date and the date of this letter.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over thirty-one years' experiences in undertaking valuations of properties in Hong Kong and has over twenty four years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Property interests to be acquired by the Company in the PRC for sale and investment purposes

	Property	Market Value in existing state as at 31 March 2018
1.	A development project located at Nos. 43-79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	RMB4,463,000,000 (equivalent to approximately HK$5,524,199,000)
2.	The unsold portion and pre-sold portion of "Baohuaxuan" located at Nos. 15-21 Baohua Lane South, Wenchang South Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	RMB 97,000,000 (equivalent to approximately HK$120,064,000)
	Total:	**RMB4,560,000,000 (equivalent to approximately HK$5,644,263,000)**

VALUATION CERTIFICATE

Property interests to be acquired by the Company in the PRC for sale and investment purposes

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018
1.	A development project located at Nos. 43-79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	The property comprises five blocks between 32 to 35-storey composite buildings and 3 basement levels erected on a parcel of land with a site area of approximately 12,168 sq. m. The total gross floor area of the property is approximately as follows: **Use** — **Approximate Gross Floor Area (sq. m.)** Residential — 65,636 Commercial — 22,817 Car Park — 18,464 Public facilities and others — 12,350 Total — 119,267 The property consists of 229 underground car parking spaces. As informed by the Group, the construction of the property is scheduled to be completed by the end of August in 2018. The property is held with the land use rights for terms expiring on 27 November 2056 and 27 November 2086 for commercial and residential uses respectively.	The structural work of the property was completed. The common area and the interior of the residential portion of property was under decoration.	RMB4,463,000,000 (equivalent to approximately HK$5,524,199,000)

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract (Document No.: Sui Guo Di Chu He No. 440104-2007-000015) entered into between the State-owned Land Resources and Housing Management Bureau of Guangzhou (Party A) and Guangdong Yuehai Property Development Co., Ltd. (Party B) dated 6 December 2007, the land use rights of the property were granted for commercial and residential uses.

2. Pursuant to a State-owned Land Use Rights Certificate (Document No.: Yue (2016) Guangzhou City Real Estate Right No. 00269524), the land use rights of the property were granted to Guangdong Yuehai Property Development Co., Ltd. with a site area of approximately 12,168 sq. m. for terms expiring on 27 November 2056 and 27 November 2086 for commercial and residential uses respectively.

3. Pursuant to a Planning Permit for Construction Land (Document No.: Sui Gui Di Zheng (2008) No. 30) on 10 January 2008, the construction site of a parcel of land is in compliance with the urban construction requirements.

4. Pursuant to 2 Planning Permit for Construction Works (Document No.: Sui Gui Jian Zheng (2013) No. 996 and Sui Gui Jian Zheng (2013) No. 1040) on 3 June 2013 and 7 June 2013 respectively, the construction works of the development of the property are in compliance with the urban construction requirements and are approved.

5. Pursuant to a Permit for Commencement of Construction Works (Document No.: 440102201403130501) on 13 March 2014, the construction works of the property with a total gross floor area of 118,195.10 sq. m. are in compliance with the requirements for works commencement and are approved.

6. Pursuant to a Completion Certificate (Document No.: Sui (Jian) Jian Yan Bei 2017 – Yue No. 13) on 8 December 2017, the construction works of the property were completed.

7. The commercial portion of the property has been charged to Guangdong Development Bank Co., Ltd. Guangzhou Branch vide (Document No.: (2017) Sui Yin Zong Shou Zong Zi No. 000001) to guarantee a loan of RMB500,000,000.

8. Based on the information available to the Company, the construction cost expended in the property as at the valuation date was approximately RMB1,052,000,000 and the outstanding construction cost to complete the property is estimated to be approximately RMB16,000,000. In determining the market value of the property, we have taken into account such estimated construction cost to complete.

9. The capital value when completed of the proposed development is approximately RMB4,799,000,000.

10. According to the information provided by the Group, 13 residential units with a total gross floor area of approximately 894 sq. m. will be transferred to the original owners before redevelopment at a total consideration of approximately RMB8,420,000. In the course of our valuation, we have included such consideration. Besides, the above agreements of 11 residential units and an non-residential unit with a total gross floor area of approximately 946 sq. m. have not been signed so that we have attributed no commercial value to these 11 residential units and an non-residential unit.

11. According to the information provided by the Group, 13 residential units with a total gross floor area of approximately 902 sq. m. have been buybacked by the original owners before redevelopment at a total consideration of approximately RMB24,800,000. In the course of our valuation, we have included such consideration. Besides, the buyback agreements of 3 residential units with a total gross floor area of approximately 292 sq. m. have not been signed so that we have attributed no commercial value to these 3 residential units.

12. As instructed by the Company, the south zone of the commercial portion of the property on Basement 1 with a total gross floor area of approximately 4,396 sq. m. would be changed of the use to 100 car parking spaces. For reference purposes, we are of the opinion that the value of these car parking spaces as at the valuation date would be RMB63,380,000 assuming all conversion costs had been duly settled and with all permission from the relevant government departments.

13. For reference purposes, we are of the opinion that the market value of the north zone of the commercial portion of the property from Level 1 to Level 5 with a total gross floor area of approximately 18,371 sq. m. as at 31 December 2017 would be RMB315,000,000.

14. The PRC legal opinion states, inter alia, the following:

(i) Guangdong Yuehai Property Development Co., Ltd. could not sell, lease out and mortgage the of a portion of the property mentioned in Note No. 10;

(ii) The original owners of the buyback portion (Note No. 11) have the buyback rights to claim in the property. Thus, if the residential units are sold separately, the developer will bear the corresponding legal liability so the buyback portion of the property has certain rights restrictions;

(iii) Guangdong Yuehai Property Development Co., Ltd. has legally obtained the state-owned land use right certificate of the property. Guangdong Yuehai Property Development Co., Ltd. has completed the approval procedure of the construction project and obtained the completion certificate on 8 December 2017;

(iv) the commercial portion of the property is subject to a mortgage and Guangdong Yuehai Property Development Co., Ltd. has completed the registration of the mortgage. The property has not yet completed the final settlement of construction projects. According to the PRC relevant regulations, the contractor has the priority to receive compensation for the construction project. Besides, the repossession and buyback rights of some units in the properties has been obtained by the previous owners of the property. Therefore, there is no other restrictions on the rights of the property except for the rights of above mortgage, project priority, repossession and buyback;

(v) the property can be sold after Presale Permits has been issued; and

(vi) there is no legal obstacles for the change in use of the commercial portion of the property located at the Basement 1 of the south zone of the property from commercial use to parking area after obtaining the approval documents for planning changes by the planning department.

15. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	State-owned Construction Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Planning Permit for Construction Land	Yes
(iv)	Planning Permit for Construction Works	Yes
(v)	Permit for Commencement of Construction Works	Yes
(vi)	Completion Certificate	Yes

16. The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 26 February 2018.

17. In the course of the valuation, we have collected and analysed the following recent relevant sales comparables.

Comparable Properties	Asking Date	Approximate Gross Floor Area (sq. m.)	Approximate Asking Unit Rate (per sq. m.)	Usage
Wen De Xian Sheng (文德先生)	March 2018	90-200 sq. m.	RMB75,000	Residential
Ai Qun Hui Jing Wan (愛群薈景灣)	March 2018	300-360 sq. m.	RMB70,000	Residential
Jia Lan Xuan (嘉蘭軒)	March 2018	79-117 sq. m.	RMB60,000	Residential

Comparable Car Parking Spaces ("CPS")	Transacted Date	Approximate Average Transacted Unit Rate (per CPS)	Usage
Wen De Xian Sheng (文德先生)	September 2017 – March 2018	RMB680,000	Car parking
Dong Shan Jing Shi Bai (東山京士柏)	September 2017 – March 2018	RMB660,000	Car parking
Yu Dong Ya Yuan (御東雅苑)	September 2017 – March 2018	RMB550,000	Car parking

In valuing the property, we have adopted the unit rate in the range of RMB63,000 to RMB70,000 for residential and in the range of RMB570,000 to RMB740,000 per car parking space. Due adjustments to the unit rates of the transacted price/ asking prices have been made to reflect these factors including but not limited to the age, location, floor and size of the property in arriving at the valuation.

18. In the course of the valuation of the commercial portion of the property by direct capitalization approach of rental income, we have adopted the market rent in the range of RMB70/sq. m. to RMB300/sq. m. per month as well as the net reversionary market yield at about 5% which is in line with the net market yield in the range of 4.4% to 5.4% in the locality. When determining the market rent and yield, we have taken into account factors including but not limited to the age, location, floor and size of the commercial property.

19. The property is located at 43-79 Zhuguang Road, Yuexiu District in Guangzhou. Yuexiu District is situated in the western region of Guangzhou, located west of the Tianhe District and east of the Liwan District. Yuexiu District is adjacent to the central business district in Beijing Road and adjoining the Tianzi Wharf with a convenient transportation network. In the first quarter of 2018, the price level of residential units in Yuexiu District had increased significantly comparing with the first quarter of 2017. It is expected that the property price in Guangzhou will remain stable in 2018. The general price level of residential units in the region was about RMB52,000/sq. m.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018
2.	The unsold portion and pre-sold portion of "Baohuaxuan" located at Nos. 15-21 Baohua Lane South, Wenchang South Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	The property comprises two 6-storey residential buildings and a basement level completed in November 2016 erected on a parcel of land with a site area of approximately 1,374 sq. m. The total gross floor area of the unsold portion and pre-sold portion of the property is approximately 2,215 sq. m. for residential uses and the property consists of 20 unsold underground car parking spaces. The property is held with the land use rights for a term expiring on 13 May 2086 for residential uses.	The property was currently vacant.	RMB97,000,000 (equivalent to approximately HK$120,064,000)

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract (Document No.: Sui Guo Di Chu He No. 440104-2007-000014) entered into between the State-owned Land Resources and Housing Management Bureau of Guangzhou (Party A) and Guangdong Yuehai Property Development Co., Ltd. (Party B) dated 6 December 2007, the land use rights of the property were granted for residential uses.

2. Pursuant to a State-owned Land Use Rights Certificate (Document No.: Yue (2016) Guangzhou City Real Estate Right No. 00227653), the land use rights of the property were granted to Guangdong Yuehai Property Development Co., Ltd. with a site area of approximately 1,374 sq. m. for terms expiring on 13 May 2086 for residential uses.

3. Pursuant to a Planning Permit for Construction Land (Document No.: Sui Gui Di Zheng (2008) No. 132) on 10 March 2008, the construction site of a parcel of land is in compliance with the urban construction requirements.

4. Pursuant to a Planning Permit for Construction Works (Document No.: Sui Gui Jian Zheng (2012) No. 137 on 19 January 2012, the construction works of the development of the property are in compliance with the urban construction requirements and are approved.

5. Pursuant to a Permit for Commencement of Construction Works (Document No.: 440103201301240101) on 24 January 2013, the construction works of the property with a total gross floor area of 5,150 sq. m. are in compliance with the requirements for works commencement and are approved.

6. According to the information provided by the Company, 14 residential units with a total gross floor area of approximately 1,375 sq. m. have been pre-sold for a total consideration of approximately RMB57,020,000. In the course of our valuation, we have included such consideration.

7. Pursuant to a Completion Certificate (Document No.: Sui Li Jian Yan Bei 2017-007) on 10 April 2017, the construction works of the property were completed.

8. The PRC legal opinion states, inter alia, the following:

   (i) the unsold residential portion and the unsold car parking spaces of the property are free from any mortgages and seizure;

   (ii) Guangdong Yuehai Property Development Co., Ltd. is entitled to lease the unsold residential portion and the unsold car parking spaces of the property;

   (iii) the property is free from any mortgages and priority of compensation;

   (iv) Presale Permits has been issued so that the property can be sold; and

   (v) the property has been obtained the Initial Registration Notification Form and can be applied for a certificate of ownership according to law.

9. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	State-owned Construction Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Planning Permit for Construction Land	Yes
(iv)	Planning Permit for Construction Works	Yes
(v)	Permit for Commencement of Construction Works	Yes
(vi)	Completion Certificate	Yes

10. The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 26 February 2018.

11. In the course of the valuation of residential portion of the property, we have made reference to the transaction record of the residential units in “Baohuaxuan” in the range of unit rates of between RMB36,000/ sq. m. and RMB46,200/ sq. m. In the course of the valuation of car park portion of the property, we have collected and analysed the following recent relevant sales comparables.

Comparable Car Parking Spaces ("CPS")	Transacted Date	Approximate Average Transacted Unit Rate (per CPS)	Usage
Fuli Jun Hu Hua Ting (富力君湖華庭)	September 2017 – March 2018	RMB310,000	Car parking
Fuli Jun Sheng Yue Ju (富力盛悦居)	September 2017 – March 2018	RMB420,000	Car parking
Xin Cheng Shi Feng Yuan (新城市逢源)	September 2017 – March 2018	RMB380,000	Car parking
Yuan Bang Ming Yue Xing Hui (元邦明月星輝)	September 2017 – March 2018	RMB490,000	Car parking

In valuing the property, we have adopted the unit rate in the range of RMB37,000 to RMB39,500 for residential and RMB400,000 per car parking space. Due adjustments to the unit rates of the transacted prices/ asking prices have been made to reflect these factors including but not limited to the location, floor and size of the property in arriving at the valuation.

12. The property is located between Wenchang South Road and Old Baohua Road in Liwan District in Guangzhou. Liwan District is situated in the western region of Guangzhou. Liwan District is a well developed composite residential and commercial area and Liwan District has comprehensive amenities in its vicinity and a convenient transportation network. In the first quarter of 2018, the price level of residential units in Liwan District had increased significantly comparing with the first quarter of 2017. It is expected that the property price in Guangzhou will remain stable in 2018. The general price level of residential units in the region was about RMB31,000/sq. m.

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. INTERESTS AND SHORT POSITIONS OF 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 and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Shares

(i) The Company

Name of Director	Capacity/ Nature of interest	Number of Shares held	Long/Short position	Approximate percentage of interests held *(Note)*
HUANG Xiaofeng	Personal	3,880,000	Long position	0.227%
Alan Howard SMITH	Personal	317,273	Long position	0.019%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 Shares in issue as at the Latest Practicable Date.

(ii) GDI

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
HUANG Xiaofeng	Personal	2,595,580	Long position	0.040%
ZHAO Chunxiao	Personal	582,170	Long position	0.009%
LI Wai Keung	Personal	1,927,160	Long position	0.029%

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of GDI in issue as at the Latest Practicable Date.

GDI is an associated corporation of the Company within the meaning of Part XV of the SFO.

(b) Share options

GDI

Name of Director	Date of grant of share options (dd.mm.yyyy)	Numberof share options granted on date of grant	Number of share options held as at the Latest Practicable Date	Total consideration paid for share options granted HK$	Price to be paid per ordinary share on exercise of share options HK$	Long/Short position
HUANG Xiaofeng	22.01.2013	2,693,000	877,420	—	6.20	Long position
ZHAO Chunxiao	22.01.2013	2,268,000	778,630	—	6.20	Long position
LI Wai Keung	22.01.2013	2,243,000	815,840	—	6.20	Long position

Notes to the above share options granted pursuant to the share option scheme adopted by GDI on 24 October 2008:

1. *The option period of all the share options is five years and six months from the date of grant.*

2. *Any share option is only exercisable during the option period after it has become vested.*

3. *The normal vesting scale of the share options is as follows:*

Date	***Percentage vesting***
The date two years after the date of grant	*40%*
The date three years after the date of grant	*30%*
The date four years after the date of grant	*10%*
The date five years after the date of grant	*20%*

4. *The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of GDI upon grant and stated in the offer of grant.*

5. *The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or which has lapsed) is as follows:*

Date on which event occurs	***Percentage vesting***
Before the date which is four months after the date of grant	*0%*
On or after the date which is four months after but before the date which is one year after the date of grant	*10%*
On or after the date which is one year after but before the date which is two years after the date of grant	*25%*
On or after the date which is two years after but before the date which is three years after the date of grant	*40%*
On or after the date which is three years after but before the date which is four years after the date of grant	*70%*
On or after the date which is four years after the date of grant	*80% The remaining 20% also vests upon passing the overall performance appraisal for those four years*

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, 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 corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Type of securities	Number of securities held	Long/Short position	Approximate percentage of the Company's issued capital
Guangdong Holdings *(Notes 1, 3)*	Shares	1,263,494,221	Long position	73.82%
GDH Limited *(Notes 1, 2, 3)*	Shares	1,263,494,221	Long position	73.82%
GDI *(Notes 2, 3)*	Shares	1,263,494,221	Long position	73.82%

Notes:

1. *The attributable interest which Guangdong Holdings has in the Company is held through its wholly-owned subsidiary, namely GDH Limited ("GDH").*

2. *Reference is made to the announcement of the Company dated 19 January 2017 in respect of the Transaction (as defined in such an announcement).*

   On 19 January 2017, GDH entered into an agreement with GDI under which, subject to the fulfillment (or waiver) of the relevant conditions precedent, GDI would acquire approximately 73.82% interest in the Company, being GDH's entire holding of the shares of the Company.

   On 20 March 2017, the Transaction was approved by the independent shareholders of GDI at its extraordinary general meeting held on the same date. For details, please refer to the announcement of GDI dated 20 March 2017.

   On 18 April 2017, all the conditions precedent to the Transaction had been fulfilled and the Transaction was completed, following which GDI has become the immediate holding company of the Company.

3. *As at the Latest Practicable Date, the following Directors were a director or an employee of Guangdong Holdings and/or GDH and/or GDI:*

Name of Director	***Position(s) held in Guangdong Holdings***	***Position(s) held in GDH***	***Position(s) held in GDI***
HUANG Xiaofeng	*chairman and director*	*chairman and executive director*	*chairman and executive director*
ZHAO Chunxiao	*deputy general manager and chief administration officer*	*executive director, chief administration officer and company secretary*	*non-executive director*
LI Wai Keung	*chief financial officer*	*executive director and chief financial officer*	*non-executive director*
WU Mingchang	*general counsel*	*executive director and general counsel*	
ZENG Yi	*chief strategic development officer*	*chief strategic development officer*	

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) was directly or indirectly interested in 10% or more of the issued shares carrying rights to vote in all circumstances at general meetings of other member(s) of the Group or had any option in respect of such issued shares:

Name of shareholder interested in 10% or more of the subsidiary of the Company	**Name of subsidiary of the Company**	**Long/Short position**	**Percentage of interests held by that shareholder**
廣州市番禺區房地產聯合開發總公司 (Guangzhou Panyu District Properties Lianhe Kaifa Company)	廣州市番禺粵海房地產有限公司 (Guangzhou Panyu Yuehai Real Estate Company Limited)	Long position	20%

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

4. DISCLOSURE OF OTHER INTERESTS

(a) Interests in competing business

The Group is principally engaged in property development and investment, as at the Latest Practicable Date, so far as is known to the Board, the interests of Directors or their respective close associates in the businesses which competed or were likely to compete, either directly or indirectly, with the property development and investment businesses of the Company (the "Competing Business") as required to be disclosed were as follows:

Name of Director	Name of entity *(Note)*	Nature of interest *(Note)*
HUANG Xiaofeng	Guangdong Holdings	chairman
	GDH	chairman
	GDI	chairman and executive director
ZHAO Chunxiao	GDH	executive director
	GDI	non-executive director
LI Wai Keung	GDH	executive director
	GDI	non-executive director
WU Mingchang	GDH	executive director

Note: The interests of each of the aforementioned Directors in the businesses of the aforementioned entities may also arise through their respective directorships in its holding companies, subsidiaries, associated companies or other form of investment vehicles of such entities.

The aforementioned entities are engaged in, *inter alia*, property development and investment, and each of the aforementioned Directors is regarded as being interested in the Competing Business.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business that competes with or is likely to compete with the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up).

(c) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested in and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

There is a letter of appointment entered into between the Company and each of the Directors. As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The members of the Group had, within the date of two years immediately preceding the Latest Practicable Date, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

(a) the Agreement;

(b) the curtain wall works agreement entered into between Guangdong Land Shenzhen and Shen Zhen King Facade Decoration Engineering Co., Ltd.（深圳金粵幕牆裝飾工程有限公司）on 22 November 2017 in respect of the curtain wall works for properties on the Northwestern Land at the consideration of RMB106,109,292.24 (equivalent to approximately HK$125,026,000);

(c) the construction agreement entered into between Guangdong Land Shenzhen and China Construction Third Bureau First Construction Engineering Co. Ltd.（中建三局第一建設工程有限責任公司）on 26 May 2017 in relation to the construction of the Northwestern Land at the consideration of RMB412,701,950.38 (equivalent to approximately HK$468,075,000);

(d) the land use rights transfer agreement entered into between Guangdong Land Shenzhen and Urban Planning, Land and Resources Commission of Shenzhen Municipality（深圳市規劃和國土資源委員會）on 13 June 2016 in respect of the acquisition of the land use rights to the Northwestern Land at the consideration of RMB1,182,280,968 (equivalent to approximately HK$1,340,911,000);

(e) the land use rights transfer agreement entered into between Guangdong Land Shenzhen and Urban Planning, Land and Resources Commission of Shenzhen Municipality（深圳市規劃和國土資源委員會）on 15 June 2016 in respect of the acquisition of the land use rights to the southern part of the Buxin Land at the consideration of RMB683,778,579 (equivalent to approximately HK$775,523,000); and

(f) the land use rights transfer agreement entered into between Guangdong Land Shenzhen and Urban Planning, Land and Resources Commission of Shenzhen Municipality（深圳市規劃和國土資源委員會）on 13 June 2016 in respect of the acquisition of the land use rights to the northern part of the Buxin Land at the consideration of RMB400,836,687 (equivalent to approximately HK$454,618,000).

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which is contained herein:

Name	Qualification
Ernst & Young	Certified Public Accountants
Ballas Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Vigers Appraisal & Consulting Limited	Professional surveyor and valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or the reference to its name or opinion in the form and context in which they respectively appear as at the Latest Practicable Date.

As at the Latest Practicable Date, all of the experts above did not have any shareholding in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up).

9. GENERAL

(a) The company secretary of the Company is Mr. LI Wai Keung, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants;

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda; and

(c) The head office and principal place of business in Hong Kong of the Company is situated at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of ReedSmith Richards Butler, legal adviser to the Company as to Hong Kong laws, at 20th floor, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including 4 June 2018:

(a) the Agreement;

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

(c) the annual reports of the Company for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017;

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

(e) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;

(f) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 29 of this circular;

(g) the accountants' report prepared by Ernst & Young with respect to the Target Group, the text of which is set out in Appendix II to this circular;

(h) the unaudited pro forma financial information of the Enlarged Group prepared by Ernst & Young, the text of which is set out in Appendix IV to this circular;

(i) the valuation report prepared by Vigers Appraisal & Consulting Limited with respect to the valuation of the Properties as at 31 March 2018, the text of which is set out in Appendix V to this circular;

(j) the material contracts referred to in the section headed "7. Material contracts" in this Appendix;

(k) the written consents as referred to in the section headed "8. Experts and consents" in this Appendix; and

(l) this circular.

GUANGDONG LAND HOLDINGS LIMITED
粵海置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0124)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Guangdong Land Holdings Limited (the "**Company**") will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong, on Thursday, 7 June 2018 at 3:30 p.m., or immediately after the conclusion of the 2018 annual general meeting of the Company to be held at the same venue and on the same day for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the Acquisition (as defined and the particulars of which are set out in the circular of the Company dated 18 May 2018 to its shareholders), the agreement (the "**Agreement**") dated 27 April 2018 in relation to the Acquisition entered into between (1) 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.*) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.*) as vendors; and (2) 粵海置地發展(深圳)有限公司 (Guangdong Land Development (Shenzhen) Limited*) as purchaser, and the transactions contemplated thereunder be and are hereby approved and confirmed; and

(b) the authorisation of any one or more directors of the Company to sign, execute and deliver all such documents and take all such actions and steps and do such acts, matters and things as any one or more of them may consider necessary, appropriate, desirable or expedient to give full effect to this resolution, and for the purposes of or in connection with the Acquisition, the Agreement and the transactions contemplated thereunder, or the implementation of any of them, be and are hereby approved and confirmed."

By Order of the Board of Directors
Guangdong Land Holdings Limited
HUANG Xiaofeng
Chairman

Hong Kong, 18 May 2018

* *In this notice, the English name of the entity marked with an * is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place of Business in Hong Kong:
18th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Notes:

(a) A shareholder entitled to attend and vote at the SGM may appoint one or more proxy(ies) to attend and, on a poll, vote in his place and such proxy needs not be a shareholder of the Company.

(b) A form of proxy is enclosed. To be valid, the form of proxy together with the power of attorney (if any) or other authority (if any) or the authority under which it is signed (or a notarially certified copy of such power or authority) must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the SGM or any adjourned meeting thereof. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the SGM or any adjourned meeting thereof if he so wishes. If a shareholder who has lodged a form of proxy attends the SGM, his form of proxy will be deemed to have been revoked.

(c) In the case of joint shareholders, 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 will be determined by the order in which the names stand in the Company's Register of Members in respect of the joint holding.

(d) The Register of Members of the Company will be closed and no transfer of shares will be effected during the period from Monday, 4 June 2018 to Thursday, 7 June 2018, both days inclusive, for determining the shareholders' eligibility to attend and vote at the SGM.

(e) In order to qualify for attending and voting at the SGM, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 1 June 2018.