THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

粵海置地

GUANGDONG LAND HOLDINGS LIMITED
粵 海 置 地 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00124)

MAJOR AND CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

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 8 to 24 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 25 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 Acquisitions is set out on pages 26 to 50 of this circular.

A notice convening the SGM (as defined in this circular) to be held at Concord Room 1, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 15 December 2020 at 10:30 a.m. is set out on pages SGM-1 to SGM-3 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for 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.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please see page ii of this circular for various measures that might be implemented by the Company at the SGM in consideration of the outbreak of the Novel Coronavirus (COVID-19). Possible precautionary measures include but are not limited to:

- **Compulsory body temperature check**
- **Mandatory wearing of surgical face mask and maintaining a safe distance between seats**
- **Mandatory health declaration**
- **No provision of refreshment or drinks and no distribution of corporate gifts**

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Hong Kong Government on the date of the SGM will be denied entry into the SGM venue.

The Company suggests that Shareholders appoint the Chairman of the SGM as his/her proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

25 November 2020

CONTENTS

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the Novel Coronavirus (COVID-19) pandemic, to safeguard the health and safety of Shareholders and other attendees of the SGM, the Company might implement the following precautionary measures at the SGM to prevent and control the spread of COVID-19:

1. There will be compulsory body temperature checks for all persons at the entrance of the SGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the SGM venue and be requested to leave the SGM venue.

2. Each attendee is required to wear a surgical face mask inside the SGM venue throughout the entire meeting. Please note that no masks will be provided at the meeting venue and attendees should bring and wear their own masks.

3. Each attendee will have to submit a completed Health Declaration Form (which will make reference, including but not limited to, the health declaration requirements as announced by the Department of Health from time to time) prior to entry into the SGM venue.

4. Appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained to avoid over-crowding.

5. No refreshments or drinks will be provided and no corporate gifts will be distributed to attendees at the SGM.

6. In the interests of protecting Shareholders from possible exposure to the COVID-19 pandemic, the Company strongly encourages Shareholders NOT to attend the SGM in person and advises Shareholders to appoint the Chairman of the SGM as his/her proxy to vote according to their indicated voting instructions instead of attending in person.

7. Attendees are requested to observe and practise good personal hygiene at all times at the meeting venue. The Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue so as to ensure the health and safety of the attendees at the SGM.

Due to the ever-evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the SGM arrangements at short notice. Shareholders are advised to check the Company's website for further announcements and updates on the SGM arrangements that may be issued.

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

"Acquisitions"	the Huizhou Acquisition and the Jiangmen Acquisition;
"Acquisition Agreements"	the Huizhou Equity Transfer Agreement and the Jiangmen Equity and Loan Transfer Agreement;
"Adjustment Factor"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Huizhou Acquisition Consideration – Huizhou Acquisition Consideration adjustment" 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;
"Business Day"	a day on which banks are open for business in Shenzhen, the PRC (other than Saturday, Sunday and a statutory holiday in the PRC);
"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;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Enlarged Group"	the Group, Jiangmen Yuehai and the Huizhou Target Group;
"GDH (Hui Yang)"	GDH Real Estates (Hui Yang) Limited (粵海房地產開發(惠陽)有限公司), a company incorporated in Hong Kong with limited liability and a connected person of the 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;
"GFA"	gross floor area;
"Greater Bay Area"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.5 Reasons for and benefits of the Jiangmen Acquisition" in the letter from the Board contained in this circular;
"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) (renamed as 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited) on 6 November 2020), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HK GAAP"	the generally accepted accounting principles, standards and practices in Hong Kong (including all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants);
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Huiyang Lijiang Garden"	Huiyang Lijiang Garden (惠陽麗江花園), Baiyun Second Road, Danshui, Huiyang District, Huizhou City, Guangdong Province, the PRC, which is a large-scale residential area;
"Huiyang Yuehai"	惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.), a company established in the PRC with limited liability;
"Huizhou Acquisition"	the proposed acquisition of Huizhou Sale Equity by Guangdong Land Shenzhen from the Huizhou Vendors pursuant to the Huizhou Equity Transfer Agreement;
"Huizhou Acquisition Completion"	the completion of the Huizhou Acquisition in accordance with the terms and conditions of the Huizhou Equity Transfer Agreement;
"Huizhou Acquisition Consideration"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Huizhou Acquisition Consideration" in the letter from the Board contained in this circular;
"Huizhou Acquisition Consideration Balance"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Huizhou Acquisition Consideration" in the letter from the Board contained in this circular;
"Huizhou Acquisition Consideration Balance Interest"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Huizhou Acquisition Consideration" in the letter from the Board contained in this circular;
"Huizhou Completion Accounts"	the audited consolidated accounts of Huiyang Yuehai comprising the consolidated balance sheet as at the date of the Huizhou Acquisition Completion and the consolidated profit and loss accounts for the relevant period (up to the date of the Huizhou Acquisition Completion), prepared in accordance with the accounting principles, standards, and practices adopted by Huiyang Yuehai for its audited consolidated accounts, and PRC GAAP;

"Huizhou Dayawan Project"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.2 Information on the Huizhou Target Group – The Huizhou Dayawan Project" in the letter from the Board contained in this circular;
"Huizhou Effective Date"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Conditions precedent" in the letter from the Board contained in this circular;
"Huizhou Equity Transfer Agreement"	the equity transfer agreement dated 29 October 2020 and entered into between Guangdong Land Shenzhen, GDH (Hui Yang) and Yuegang Investment and in relation to the Huizhou Acquisition;
"Huizhou First Tranche Payment"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Huizhou Acquisition Consideration" in the letter from the Board contained in this circular;
"Huizhou Land"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.2 Information on the Huizhou Target Group – The Huizhou Dayawan Project" in the letter from the Board contained in this circular;
"Huizhou NAV Reduction Value"	has the meaning ascribed to it under the section headed "C. The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Huizhou Acquisition Consideration – Huizhou Acquisition Consideration adjustment" in the letter from the Board contained in this circular;
"Huizhou Sale Equity"	the entire equity capital of Huiyang Yuehai agreed to be purchased by Guangdong Land Shenzhen and agreed to be sold by the Huizhou Vendors, pursuant to the terms of the Huizhou Equity Transfer Agreement;
"Huizhou Target Group"	Huiyang Yuehai and Huizhou Yuehai;
"Huizhou Vendors"	GDH (Hui Yang) and Yuegang Investment;
"Huizhou Yuehai"	惠州市粵海房地產開發有限公司 (Huizhou City Yuehai Property Development Co., Ltd.), a wholly-owned subsidiary of Huiyang Yuehai;
"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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions;

"Independent Shareholders"	Shareholders other than those who are required to abstain from voting at the SGM pursuant to the Listing Rules;
"Jiangmen Acquisition"	the proposed acquisition of the Jiangmen Sale Equity and the Sale Loan by Guangdong Land Shenzhen from Yuegang Investment pursuant to the Jiangmen Equity and Loan Transfer Agreement;
"Jiangmen Acquisition Completion"	the completion of the Jiangmen Acquisition in accordance with the terms and conditions of the Jiangmen Equity and Loan Transfer Agreement;
"Jiangmen Acquisition Total Consideration"	the Jiangmen Equity Consideration and the Sale Loan Consideration;
"Jiangmen Completion Accounts"	the audited accounts of Jiangmen Yuehai comprising the balance sheet as at the date of the Jiangmen Acquisition Completion and the profit and loss accounts for the relevant period (up to the date of the Jiangmen Acquisition Completion), prepared in accordance with the accounting principles, standards, and practices adopted by Jiangmen Yuehai for its audited accounts, and PRC GAAP;
"Jiangmen Effective Date"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Conditions precedent" in the letter from the Board contained in this circular;
"Jiangmen Equity and Loan Transfer Agreement"	the equity and loan transfer agreement dated 29 October 2020 entered into between Guangdong Land Shenzhen, Yuegang Investment and Jiangmen Yuehai in relation to the Jiangmen Acquisition;
"Jiangmen Equity Consideration"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Jiangmen Acquisition Total Consideration – Jiangmen Equity Consideration" in the letter from the Board contained in this circular;
"Jiangmen Equity Consideration Balance"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Jiangmen Acquisition Total Consideration – Jiangmen Equity Consideration" in the letter from the Board contained in this circular;
"Jiangmen Equity Consideration Balance Interest"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Jiangmen Acquisition Total Consideration – Jiangmen Equity Consideration" in the letter from the Board contained in this circular;
"Jiangmen First Tranche Payment"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Jiangmen Acquisition Total Consideration – Jiangmen Equity Consideration" in the letter from the Board contained in this circular;

"Jiangmen Ganhua Project"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.2 Information on Jiangmen Yuehai" in the letter from the Board contained in this circular;
"Jiangmen Land"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.2 Information on Jiangmen Yuehai – The Jiangmen Ganhua Project" in the letter from the Board contained in this circular;
"Jiangmen NAV Reduction Value"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Jiangmen Acquisition Total Consideration – Jiangmen Equity Consideration adjustment" in the letter from the Board contained in this circular;
"Jiangmen (No. 3 – 5) Land"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.2 Information on Jiangmen Yuehai – The Jiangmen Ganhua Project" in the letter from the Board contained in this circular;
"Jiangmen (No. 6) Land"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.2 Information on Jiangmen Yuehai – The Jiangmen Ganhua Project" in the letter from the Board contained in this circular;
"Jiangmen Sale Equity"	51% of the total equity capital of Jiangmen Yuehai agreed to be purchased by Guangdong Land Shenzhen and agreed to be sold by Yuegang Investment, pursuant to the terms of the Jiangmen Equity and Loan Transfer Agreement;
"Jiangmen Yuehai"	江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.), a company established in the PRC with limited liability;
"Latest Practicable Date"	19 November 2020, 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;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
"Outstanding Shareholder's Loan"	the principal of the outstanding shareholder's loan owing by Jiangmen Yuehai to Yuegang Investment in the aggregate amount of RMB600,000,000 (equivalent to approximately HK$691,404,000), as at the date of the Jiangmen Equity and Loan Transfer Agreement;
"percentage ratio"	has the meaning ascribed to it under Chapter 14 of the Listing Rules;
"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;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Loan"	RMB306,000,000 (equivalent to approximately HK$352,616,000), representing 51% of the Outstanding Shareholder's Loan;
"Sale Loan Consideration"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Jiangmen Acquisition Total Consideration — Sale Loan Consideration" in the letter from the Board contained in this circular;
"Sale Loan Transfer Date"	has the meaning ascribed to it under the section headed "B. The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Jiangmen Acquisition Total Consideration – Sale Loan Consideration" in the letter from the Board contained in this circular;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held to consider and, if thought fit, approve the Acquisitions;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	the shareholder(s) of the Company;
"sq. m."	square metre(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Target Companies"	Jiangmen Yuehai and Huiyang Yuehai;
"Valuation Report"	the valuation report issued by the Valuer as to the valuation of (i) the Jiangmen Land; (ii) the Huizhou Land and (iii) certain properties in Huiyang Lijiang Garden which are owned by Huiyang Yuehai, respectively, as set out in Appendix VI to this circular;
"Valuer"	Vigers Appraisal and Consulting Limited, an independent professional valuer in the PRC and Hong Kong appointed by the Company;
"Yuegang Investment"	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;

"Yuehai Technology"	粵海科技(深圳)有限公司 (Yuehai Technology (Shenzhen) Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company; and
"%"	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$1 to RMB0.8678. No representation is made that any amount in HK$ 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.

粵海置地

GUANGDONG LAND HOLDINGS LIMITED
粵 海 置 地 控 股 有 限 公 司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00124)

Board of Directors:

Executive Directors
XU Yeqin *(Chairman)*
LI Yonggang *(Managing Director)*
WU Mingchang
ZHU Guang
ZHANG Jun *(Chief Financial Officer)*

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

25 November 2020

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

A. INTRODUCTION

Reference is made to the joint announcement of the Company and GDI dated 29 October 2020 in relation to the Acquisitions, which disclosed that on 29 October 2020 (after trading hours), Guangdong Land Shenzhen (an indirect wholly-owned subsidiary of the Company) entered into:

(a) the Jiangmen Equity and Loan Transfer Agreement with Yuegang Investment, pursuant to which Guangdong Land Shenzhen has conditionally agreed to purchase, and Yuegang Investment has conditionally agreed to sell, (i) the Jiangmen Sale Equity for the aggregate consideration of RMB648,179,553 (equivalent to approximately HK$746,923,000) in cash, subject to adjustment (if any) in accordance with the terms of the Jiangmen Equity and Loan Transfer Agreement; and (ii) the Sale Loan for the consideration of RMB306,000,000 (equivalent to approximately HK$352,616,000). The Jiangmen Acquisition Total Consideration is RMB954,179,553 (equivalent to approximately HK$1,099,539,000); and

(b) the Huizhou Equity Transfer Agreement with the Huizhou Vendors, pursuant to which Guangdong Land Shenzhen has conditionally agreed to purchase, and the Huizhou Vendors have conditionally agreed to sell, the Huizhou Sale Equity for the aggregate consideration of RMB273,797,700 (equivalent to approximately HK$315,508,000) in cash, subject to adjustment (if any) in accordance with the terms of the Huizhou Equity Transfer Agreement.

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

B. THE JIANGMEN ACQUISITION

B.1 The Jiangmen Equity and Loan Transfer Agreement

The salient terms of the Jiangmen Equity and Loan Transfer Agreement are set out as follows:

Date:	29 October 2020 (after trading hours)
Parties:	
Purchaser:	Guangdong Land Shenzhen
Vendor:	Yuegang Investment
Target company:	Jiangmen Yuehai

Subject matter

Pursuant to the Jiangmen Equity and Loan Transfer Agreement, Guangdong Land Shenzhen has conditionally agreed to purchase, and Yuegang Investment has conditionally agreed to sell, (i) the Jiangmen Sale Equity and (ii) the Sale Loan.

Please refer to the section headed "B. The Jiangmen Acquisition – B.2 Information on Jiangmen Yuehai" in this letter from the Board contained in this circular for details of Jiangmen Yuehai.

The Sale Loan amounts to RMB306,000,000 (equivalent to approximately HK$352,616,000) and represents 51% of the principal amount of the Outstanding Shareholder's Loan. Upon the Jiangmen Acquisition Completion, there will be an outstanding shareholder's loan owing by Jiangmen Yuehai to Yuegang Investment in the amount of RMB294,000,000 (equivalent to approximately HK$338,788,000), representing 49% of the Outstanding Shareholder's Loan. The Outstanding Shareholder's Loan in the aggregate amount of RMB600,000,000 includes a drawdown of shareholder's loan in the amount of RMB100,000,000 on 15 October 2020, which was subsequent to the track record period of the audited financial information of Jiangmen Yuehai as set out in Appendix II of this circular.

Pursuant to the Jiangmen Equity and Loan Transfer Agreement, the accrued interest on the Outstanding Shareholder's Loan up to the Sale Loan Transfer Date shall be paid by Jiangmen Yuehai to Yuegang Investment on the Sale Loan Transfer Date.

Jiangmen Acquisition Total Consideration

Jiangmen Equity Consideration

The consideration (the "**Jiangmen Equity Consideration**") for the Jiangmen Sale Equity in the aggregate amount of RMB648,179,553 (equivalent to approximately HK$746,923,000) (subject to adjustment as set out below) shall be payable by Guangdong Land Shenzhen to Yuegang Investment and settled in cash in two tranches in the following manner:

(a) a sum of RMB194,453,866 (the "**Jiangmen First Tranche Payment**", equivalent to approximately HK$224,077,000), representing 30% of the Jiangmen Equity Consideration shall be payable within 5 Business Days from the Jiangmen Effective Date; and

(b) the balance (the "**Jiangmen Equity Consideration Balance**") of the Jiangmen Equity Consideration (after adjustment, if any) and the Jiangmen Equity Consideration Balance Interest shall be payable on the date which is the first anniversary of the Jiangmen Effective Date.

Pursuant to the Jiangmen Equity and Loan Transfer Agreement, Guangdong Land Shenzhen shall pay an interest (the "**Jiangmen Equity Consideration Balance Interest**") for the amount of the Jiangmen Equity Consideration Balance at a rate of 4.35% per annum (being the benchmark interest rate for one-year loans for financial institutions as at the date of the Jiangmen Equity and Loan Transfer Agreement as stipulated by the People's Bank of China) for the period from the fifth Business Day after the Jiangmen Effective Date to the payment date of the Jiangmen Equity Consideration Balance (both days inclusive).

The obligations of Guangdong Land Shenzhen to pay Yuegang Investment (i) the Jiangmen Equity Consideration Balance and (ii) the Jiangmen Equity Consideration Balance Interest shall be guaranteed by Yuehai Technology, an indirect wholly-owned subsidiary of the Company.

Jiangmen Equity Consideration adjustment

Guangdong Land Shenzhen and Yuegang Investment shall jointly appoint an auditor to issue the Jiangmen Completion Accounts no later than 60 Business Days after the date of the Jiangmen Acquisition Completion.

The Jiangmen Equity Consideration shall be subject to a downward adjustment (if any) by an amount equal to the Jiangmen NAV Reduction Value multiplied by 51% in the event that (i) there is a shortfall in the net asset value of Jiangmen Yuehai as shown in the Jiangmen Completion Accounts as compared against the audited net asset value of Jiangmen Yuehai of RMB1,259,192,441 (equivalent to approximately HK$1,451,017,000) as at 31 August 2020 prepared in accordance with PRC GAAP (such difference in the net asset value shall be referred to as the "**Jiangmen NAV Reduction Value**"); and (ii) the Jiangmen NAV Reduction Value is greater than or equal to RMB5,000,000 (equivalent to approximately HK$5,762,000).

Sale Loan Consideration

The consideration (the "**Sale Loan Consideration**") for the Sale Loan in the amount of RMB306,000,000 (equivalent to approximately HK$352,616,000) shall be payable and settled by Guangdong Land Shenzhen to Yuegang Investment within 5 Business Days from the date of the Jiangmen Acquisition Completion (the "**Sale Loan Transfer Date**").

The Jiangmen Acquisition Total Consideration is expected to be funded by the Group's internal resources and/or bank borrowings. It is intended that (i) the Jiangmen First Tranche Payment and the Sale Loan Consideration will be funded by the Group's internal resources, and (ii) the Jiangmen Equity Consideration Balance (and the relevant interests) will be funded mainly by the Group's internal resources, and depending on the then financial position of Guangdong Land Shenzhen, by bank borrowings (if needed, the bank borrowings will be negotiated about three months in advance from the payment date of the Jiangmen Equity Consideration Balance).

Basis of the Jiangmen Acquisition Total Consideration

The amount of the Jiangmen Acquisition Total Consideration was arrived at after arm's length negotiations between Guangdong Land Shenzhen and Yuegang Investment and after taking into account the following:

(i) the market value of the Jiangmen Land, being the principal asset of Jiangmen Yuehai, as at 31 August 2020 of approximately RMB1,759,000,000 (equivalent to approximately HK$2,026,965,000) according to the Valuation Report (Appendix VI of this circular). The market value of the Jiangmen Land has been obtained by using direct comparison approach with reference to comparable sales evidences as available in the market assuming sale with the benefit of vacant possession. The Board has reviewed the valuation methodology and key assumptions (including the market comparables adopted) in the Valuation Report, and considered that the same were fair and reasonable in view of the location and the intended use of the Jiangmen Land, and the market comparables adopted in the Valuation Report;

(ii) the adjusted net asset value of Jiangmen Yuehai as at 31 August 2020 in the amount of approximately RMB1,275,807,428 (equivalent to approximately HK$1,470,163,000), which was arrived at by (i) adding the valuation surplus of the Jiangmen Land of RMB22,148,649 (equivalent to approximately HK$25,523,000) to, and (ii) less the related estimated deferred tax liabilities of RMB5,533,662 (equivalent to approximately HK$6,377,000) from, the net asset value of Jiangmen Yuehai of RMB1,259,192,441 (equivalent to approximately HK$1,451,017,000) as at 31 August 2020 as prepared in accordance with HK GAAP;

(iii) the location and development potential of the Jiangmen Ganhua Project (further details are set out in the section headed "B. The Jiangmen Acquisition – B.2 Information on Jiangmen Yuehai — The Jiangmen Ganhua Project" below); and

(iv) the principal amount of the Sale Loan.

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

Conditions precedent

The Jiangmen Equity and Loan Transfer Agreement shall become effective on the 25th day upon the fulfillment or waiver (where applicable) of, among other things, the following conditions (the "**Jiangmen Effective Date**"):

(i) the approval of the transactions contemplated under the Jiangmen Equity and Loan Transfer Agreement by the Independent Shareholders at a special general meeting of the Company in compliance with the Listing Rules, having been obtained;

(ii) the approval of the Jiangmen Equity and Loan Transfer Agreement and the transactions contemplated thereunder by the shareholder(s) of each of Yuegang Investment and Jiangmen Yuehai, as required by the PRC laws and their respective articles of association, having been obtained;

(iii) the approval of the entering into of the Jiangmen Equity and Loan Transfer Agreement and the transactions contemplated thereunder by the shareholder(s) of Guangdong Land Shenzhen, as required by the PRC laws and its articles of association, having been obtained;

(iv) the approval of the Jiangmen Equity and Loan Transfer Agreement by Guangdong Holdings having been obtained;

(v) the rights to the Jiangmen Sale Equity being free from encumbrance and transferrable under the PRC laws;

(vi) the representations and warranties given by Yuegang Investment continue to be true, accurate and not misleading in all respects from the date of the Jiangmen Equity and Loan Transfer Agreement to the Jiangmen Effective Date; and

(vii) Yuegang Investment having performed and complied with all relevant obligations, commitments and undertakings in accordance with the Jiangmen Equity and Loan Transfer Agreement on or before the Jiangmen Effective Date.

Save for conditions (i) and (iv) which are not capable of being waived, Guangdong Land Shenzhen and Yuegang Investment (as the case may be) shall be entitled to waive the conditions relevant to them in writing. If the said conditions cannot be satisfied (or waived) within six months from the date of the Jiangmen Equity and Loan Transfer Agreement (or such other date as the parties to the Jiangmen Equity and Loan Transfer Agreement may agree in writing), the Jiangmen Equity and Loan Transfer Agreement will terminate.

For the avoidance of doubt, the Jiangmen Equity and Loan Transfer Agreement and the Huizhou Equity Transfer Agreement are not inter-conditional.

As at the Latest Practicable Date, Guangdong Land Shenzhen and Yuegang Investment have no intention to waive any of the conditions precedent abovementioned. As at the Latest Practicable Date, save for condition (i), all other conditions precedent to the Jiangmen Equity and Loan Transfer Agreement have been fulfilled.

Completion

After the Jiangmen Effective Date, Yuegang Investment shall proceed with all registration and/or filing procedures with the relevant administration for industry and commerce department in the PRC in respect of the transfer of the Jiangmen Sale Equity, the change of shareholder of Jiangmen Yuehai and the amendments of articles of association of Jiangmen Yuehai. Yuegang Investment shall complete the change of registration (工商登記) in respect of the transfer of the Jiangmen Sale Equity with the relevant administration for industry and commerce department in the PRC within 7 days from the Jiangmen Effective Date.

The date of the Jiangmen Acquisition Completion shall be the date of completion of the change of registration of the Jiangmen Sale Equity with the relevant administration for industry and commerce department in the PRC. Subject to the terms and conditions of the Jiangmen Equity and Loan Transfer Agreement, the expected date of the Jiangmen Acquisition Completion will be in February 2021.

B.2 Information on Jiangmen Yuehai

Jiangmen Yuehai is a limited liability company established in the PRC on 23 June 2020. As at the Latest Practicable Date, its principal assets comprise interests in the Jiangmen Land and it will be principally engaged in the development of the Jiangmen Ganhua Project. As at the Latest Practicable Date, 100% of the equity capital of Jiangmen Yuehai is owned by Yuegang Investment.

Upon the Jiangmen Acquisition Completion, 51% of the equity capital of Jiangmen Yuehai will be owned by Guangdong Land Shenzhen, and Jiangmen Yuehai will become an indirect non-wholly owned subsidiary of the Company and cease to be a subsidiary of Yuegang Investment.

The Jiangmen Ganhua Project

The principal assets of Jiangmen Yuehai are three adjourning parcels of land located at the east of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong Province, the PRC with an aggregate site area of 174,537.52 sq. m. (the "**Jiangmen (No. 3 – 5) Land**"). The Jiangmen (No. 3 – 5) Land has been approved for city and town residential, and other commercial and service uses. In addition, there is a parcel of land adjacent to the Jiangmen (No. 3 – 5) Land with an aggregate site area of 18,114.82 sq. m. (the "**Jiangmen (No. 6) Land**", which, together with the Jiangmen (No. 3 – 5) Land shall be referred to as the "**Jiangmen Land**"), which has been approved for medical and health, and commercial service uses; and, subject to the approval of the relevant government authorities in accordance with the policy of "Three Olds" Renovation (「三舊」改造) in relation to, among other things, the resettlement of the residents. Jiangmen Yuehai shall be entitled to acquire the relevant land use right in respect of Jiangmen (No. 6) Land without paying any land premium. Provided that Jiangmen Yuehai will comply with the requirements (which are customary for a property development project of this nature) as set out in the relevant agreement and letter entered into with/issued by the relevant government authorities in relation to the "Three Olds" Renovation, there is no legal impediment in obtaining the approval of the relevant government authorities. For details of the material requirements under the relevant agreement and letter in relation the said approval to be obtained, please refer to Note 4 on page VI-9 of the Valuation Report (Appendix VI of this circular). As disclosed in Note 5 on page VI-9 of the Valuation Report (Appendix VI of this circular), in the course of the valuation of the Jiangmen Land, the Valuer has ascribed commercial value to the Jiangmen (No. 3 – 5) Land only and taken into account of the resettlement and compensation requirements stated in Notes 3 and 4 on pages VI-8 and VI-9 of the Valuation Report (Appendix VI of this circular). It is expected that the relevant approval can be obtained in the third quarter of 2024.

Even in the unlikely event that the approval abovementioned could not be obtained, it is not expected that there will be material adverse effects on the development of the Jiangmen Ganhua Project as a whole because (i) no commercial value was ascribed to the Jiangmen (No. 6) Land in the Valuation Report as at 31 August 2020 and therefore no value of the Jiangmen (No. 6) Land was included in the Jiangmen Acquisition Total Consideration; (ii) the site area of the Jiangmen (No. 6) Land only represents less than 10% of the total site area of the Jiangmen Land; and (iii) the Jiangmen (No. 6) Land will be developed mainly for medical and health uses and its development is not essential to and is independent from the development of the Jiangmen (No. 3 – 5) Land.

Ganhua Sub-district, where the Jiangmen Land is situated in, will be positioned as a waterfront community integrating high-end commercial/financial and residential areas. The Jiangmen Land is located to the east of Ganbei Road, west of Xi River, south of Panbian Street and north of Beixin Road in Pengjiang District, Jiangmen City, Guangdong Province, and in a traditional old town district in Jiangmen City with high density population and a convenient transportation network. The Jiangmen Land also is adjacent to Xi River, connects to the Chaolian Talent Island and is accessible to five parks nearby, providing a quality living environment with an excellent river scenery.

The Group intends to develop a large-scale integrated property project (the "**Jiangmen Ganhua Project**") on the Jiangmen Land, which will have an aggregate gross floor area of approximately 438,198.02 sq. m., comprising (i) on the Jiangmen (No. 3 – 5) Land, approximately 274,371.00 sq. m. for residential use, approximately 119,194.52 sq. m. for commercial use and approximately 3,035.00 sq. m. for ancillary public facilities; and (ii) on the Jiangmen (No. 6) Land, approximately 28,797.00 sq. m. for elderly residential apartments and public service facilities, and approximately 12,800.50 sq. m. for care homes and health centres. The construction of the Jiangmen Ganhua Project is divided into three phases and the whole project is expected to be completed in December 2026. The pre-sale of the first phase of the Jiangmen Ganhua Project is expected to commence in May 2021. As at the Latest Practicable Date, the construction of pile foundation and sales centre for the Jiangmen Ganhua Project is in progress. Since the date of the Jiangmen Equity and Loan Transfer Agreement and up to the Latest Practicable Date, the Group did not have any financial commitment to Jiangmen Yuehai for the Jiangmen Ganhua Project.

Jiangmen Yuehai acquired the land use rights of the Jiangmen (No. 3 – 5) Land from the PRC Government through online listing-for-sale in June 2020. Jiangmen Yuehai's acquisition costs for the Jiangmen (No. 3 – 5) Land is approximately RMB1,683,650,000 (equivalent to approximately HK$1,940,136,000). The relevant payments in respect of the up-front development costs of the Jiangmen Ganhua Project amount to approximately RMB53,201,000 (equivalent to approximately HK$61,306,000) in aggregate as at 31 August 2020. As at 31 August 2020, the book value of the total assets of Jiangmen Yuehai was approximately RMB1,762,130,000 (equivalent to approximately HK$2,030,572,000).

Financial information of Jiangmen Yuehai

Set out below is certain financial information of Jiangmen Yuehai for the period from 23 June 2020 (i.e. the incorporation date of Jiangmen Yuehai) to 31 July 2020, based on the audited financial information of Jiangmen Yuehai prepared in accordance with HK GAAP as set out in Appendix II of this circular:

	For the period from 23 June 2020 to 31 July 2020
Loss before tax	RMB(752,000) (equivalent to approximately HK$(867,000))
Loss after tax	RMB(752,000) (equivalent to approximately HK$(867,000))

The net asset value of Jiangmen Yuehai as at 31 July 2020 was approximately RMB1,259,248,000 (equivalent to approximately HK$1,451,081,000).

B.3 Information on Guangdong Land Shenzhen and the Group

Guangdong Land Shenzhen is an indirect wholly-owned subsidiary of the Company. Guangdong Land Shenzhen is principally engaged in property development and investment in the PRC.

The Group is principally engaged in property development and investment businesses. As at the Latest Practicable Date, GDI holds approximately 73.82% of the issued share capital of the Company. The ultimate controlling shareholder of the Company is Guangdong Holdings. Guangdong Holdings is wholly-owned by the People's Government of Guangdong Province.

B.4 Information on Yuegang Investment

Yuegang Investment is principally engaged in investment, project development, property development consultancy services, corporate management consultancy services, investment consultancy services, property agency and relevant consultancy services.

Yuegang Investment is a direct wholly-owned subsidiary of Guangdong Holdings (being the ultimate controlling shareholder and therefore a connected person of the Company), and, hence, an associate of Guangdong Holdings and a connected person of the Company under Chapter 14A of the Listing Rules.

B.5 Reasons for and benefits of the Jiangmen Acquisition

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

The Group is principally engaged in property development and investment businesses. The Company is optimistic about the real estate market in Jiangmen City which is one of the nine municipalities in the Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**"). Subsequent to the implementation of the relevant plans and policies for the Greater Bay Area by the PRC Government, further integration and development of various cities in the 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 the first-tier cities in the PRC, it is also keen on building its foothold in cities within the Greater Bay Area and the Pearl River Delta region with the view to developing a long-term sustainable business model.

Through the Jiangmen Acquisition, the Group will acquire the Jiangmen Land and develop the Jiangmen Ganhua Project. The Jiangmen Ganhua Project is located only about three to four kilometres away from the central commercial district of Beixin Sub-district, and is adjacent to a reputable secondary school and a first-class general hospital. The Jiangmen Ganhua Project is connected to the major transportation network with city rails, main roads, coach terminus, trunk roads and expressways within a five-kilometre radius, and is highly accessible to the respective entrances of Fojiang Expressway and Guangzhongjiang Expressway. Accordingly, the Company believes that the abovementioned characteristics would attract a wide spectrum of potential purchasers.

The Jiangmen Ganhua Project has a site area of approximately 192,652.34 sq. m. with an expected aggregate gross floor area of approximately 438,198.02 sq. m.. The Group intends to sell all the residential and commercial properties to be developed under the Jiangmen Ganhua Project (other than the area reserved for re-settlement purposes, further details of which are set out in the Valuation Report (Appendix VI of this circular)). Leveraging on the strategic development of the Greater Bay Area as supported by the PRC Government, it is expected that the Jiangmen Ganhua Project will generate good investment return to the Group. In 2019, the Group already acquired a land parcel at Chenyuan Road, Pengjiang District, Jiangmen City for developing a property project. Together with the Jiangmen Ganhua Project, it is considered that the brand image of the Group as a quality and established property developer will be further enhanced and Guangdong Land Shenzhen will become more widely known in Jiangmen City, one of the major metropolitan cities in the Greater Bay Area. Accordingly, the Directors believe that the Jiangmen Acquisition is an excellent investment opportunity which is in line with the Group's long-term business plan and development strategies. The Company is not aware of any adverse impacts on the Company from the Jiangmen Acquisition. The Company is not aware that the Jiangmen Acquisition has any disadvantage to the Company.

C. THE HUIZHOU ACQUISITION

C.1 The Huizhou Equity Transfer Agreement

The salient terms of the Huizhou Equity Transfer Agreement are set out as follows:

Date:	29 October 2020 (after trading hours)
Parties:	
Purchaser:	Guangdong Land Shenzhen
Vendors:	(a) GDH (Hui Yang) (as vendor of 80% of the Huizhou Sale Equity) (b) Yuegang Investment (as vendor of 20% of the Huizhou Sale Equity)

Subject matter

Pursuant to the Huizhou Equity Transfer Agreement, Guangdong Land Shenzhen has conditionally agreed to purchase, and the Huizhou Vendors have conditionally agreed to sell, the Huizhou Sale Equity, representing the entire equity capital of Huiyang Yuehai.

Please refer to the section headed "C. The Huizhou Acquisition – C.2 Information on the Huizhou Target Group" in this letter from the Board contained in this circular for details of Huiyang Yuehai.

Huizhou Acquisition Consideration

The consideration (the "**Huizhou Acquisition Consideration**") for the Huizhou Sale Equity in the aggregate amount of RMB273,797,700 (equivalent to approximately HK$315,508,000) (subject to adjustment as set out below), amongst which, RMB219,038,160 (equivalent to approximately HK$252,406,000) shall be payable by Guangdong Land Shenzhen to GDH (Hui Yang), and RMB54,759,540 (equivalent to approximately HK$63,102,000) shall be payable by Guangdong Land Shenzhen to Yuegang Investment, and shall be settled in cash in two tranches in the following manner:

(a) a sum of RMB82,139,310 (the "**Huizhou First Tranche Payment**", equivalent to approximately HK$94,652,000), representing 30% of the Huizhou Acquisition Consideration shall be payable within 5 Business Days from the Huizhou Effective Date, amongst which, RMB65,711,448 (equivalent to approximately HK$75,722,000) shall be payable by Guangdong Land Shenzhen to GDH (Hui Yang), and RMB16,427,862 (equivalent to approximately HK$18,930,000) shall be payable by Guangdong Land Shenzhen to Yuegang Investment; and

(b) the balance (the "**Huizhou Acquisition Consideration Balance**") of the Huizhou Acquisition Consideration (after adjustment, if any) and the Huizhou Acquisition Consideration Balance Interest shall be payable on the date which is the first anniversary of the Huizhou Effective Date.

Pursuant to the Huizhou Equity Transfer Agreement, Guangdong Land Shenzhen shall pay an interest (the "**Huizhou Acquisition Consideration Balance Interest**") for the amount of the Huizhou Acquisition Consideration Balance at a rate of 4.35% per annum (being the benchmark interest rate for one-year loans for financial institutions as at the date of the Huizhou Equity Transfer Agreement as stipulated by the People's Bank of China) for the period from the fifth Business Day after the Huizhou Effective Date to the payment date of the Huizhou Acquisition Consideration Balance (both days inclusive).

The obligations of Guangdong Land Shenzhen to pay the Huizhou Vendors (i) the Huizhou Acquisition Consideration Balance and (ii) the Huizhou Acquisition Consideration Balance Interest shall be guaranteed by Yuehai Technology, an indirect wholly-owned subsidiary of the Company.

Huizhou Acquisition Consideration adjustment

Guangdong Land Shenzhen and the Huizhou Vendors shall jointly appoint an auditor to issue the Huizhou Completion Accounts no later than 60 Business Days after the date of the Huizhou Acquisition Completion.

The Huizhou Acquisition Consideration shall be subject to a downward adjustment (if any) by an amount equal to the Huizhou NAV Reduction Value multiplied by 94.74% (the "**Adjustment Factor**") in the event that (i) there is a shortfall in the consolidated net asset value of Huiyang Yuehai as shown in the Huizhou Completion Accounts as compared against the audited consolidated net asset value of Huiyang Yuehai of RMB146,430,204 (equivalent to approximately HK$168,737,000) as at 31 August 2020 prepared in accordance with PRC GAAP (such difference in the net asset value shall be referred to as the "**Huizhou NAV Reduction Value**"); and (ii) the Huizhou NAV Reduction Value is greater than or equal to RMB2,500,000 (equivalent to approximately HK$2,881,000).

The Adjustment Factor was determined on the basis that the Huizhou Acquisition Consideration represents a 5.26% discount to the adjusted consolidated net asset value of Huiyang Yuehai as at 31 August 2020.

The Huizhou Acquisition Consideration is expected to be funded by the Group's internal resources and/or bank borrowings. It is intended that (i) the Huizhou First Tranche Payment will be funded by the Group's internal resources, and (ii) the Huizhou Acquisition Consideration Balance (and the relevant interests) will be funded mainly by the Group's internal resources, and depending on the then financial position of Guangdong Land Shenzhen, by bank borrowings (if needed, the bank borrowings will be negotiated about three months in advance from the payment date of the Huizhou Acquisition Consideration Balance).

Basis of the Huizhou Acquisition Consideration

The amount of the Huizhou Acquisition Consideration was arrived at after arm's length negotiations between Guangdong Land Shenzhen and the Huizhou Vendors and after taking into account the following:

(i) the market value of the Huizhou Land, being the principal asset of the Huizhou Target Group, as at 31 August 2020 of approximately RMB360,820,000 (equivalent to approximately HK$415,787,000) according to the Valuation Report (Appendix VI of this circular). The market value of the Huizhou Land has been obtained by using direct comparison approach with reference to comparable sales evidences as available in the market assuming sale with the benefit of vacant possession. The Board has reviewed the valuation methodology and key assumptions (including the market comparables adopted) in the Valuation Report, and considered that the same were fair and reasonable in view of the location and the intended use of the Huizhou Land, and the market comparables adopted in the Valuation Report;

(ii) the adjusted consolidated net asset value of Huiyang Yuehai as at 31 August 2020 in the amount of approximately RMB288,990,472 (equivalent to approximately HK$333,015,000), which was arrived at by (i) adding the valuation surplus the Huizhou Land of RMB299,830,350 (equivalent to approximately HK$345,507,000) to, (ii) adding the valuation surplus of other properties of RMB4,978,091 (equivalent to approximately HK$5,736,000) to, and (iii) less the related estimated deferred tax liabilities of RMB164,208,493 (equivalent to approximately HK$189,224,000) from, the consolidated net asset value of Huiyang Yuehai of RMB148,390,524 (equivalent to approximately HK$170,996,000) as at 31 August 2020 as prepared in accordance with HK GAAP; and

(iii) the location and development potential of the Huizhou Dayawan Project (further details are set out in the section headed "C. The Huizhou Acquisition – C.2 Information on the Huizhou Target Group – The Huizhou Dayawan Project" in this letter from the Board contained in this circular).

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

Conditions precedent

The Huizhou Equity Transfer Agreement shall become effective on the 25th day upon the fulfillment or waiver (where applicable) of, among other things, the following conditions (the "**Huizhou Effective Date**"):

(i) the approval of the transactions contemplated under the Huizhou Equity Transfer Agreement by the Independent Shareholders at a special general meeting of the Company in compliance with the Listing Rules having been obtained;

(ii) the approval of the Huizhou Equity Transfer Agreement and the transactions contemplated thereunder by the shareholder(s) of each of the Huizhou Vendors and Huiyang Yuehai, as required by the PRC laws and their respective articles of association, having been obtained;

(iii) the approval of the entering into of the Huizhou Equity Transfer Agreement and the transactions contemplated thereunder by the shareholder(s) of Guangdong Land Shenzhen, as required by the PRC laws and its articles of association, having been obtained;

(iv) the approval of the Huizhou Equity Transfer Agreement by Guangdong Holdings having been obtained;

(v) the rights to the Huizhou Sale Equity being free from encumbrance and transferrable under the PRC laws;

(vi) the representations and warranties given by the Huizhou Vendors continue to be true, accurate and not misleading in all respects from the date of the Huizhou Equity Transfer Agreement to the Huizhou Effective Date; and

(vii) the Huizhou Vendors having performed and complied with all relevant obligations, commitments and undertakings in accordance with the Huizhou Equity Transfer Agreement on or before the Huizhou Effective Date.

Save for conditions (i) and (iv) which are not capable of being waived, Guangdong Land Shenzhen and the Huizhou Vendors (as the case may be) shall be entitled to waive the conditions relevant to them in writing. If the said conditions cannot be satisfied (or waived) within six months from the date of the Huizhou Equity Transfer Agreement (or such other date as the parties to the Huizhou Equity Transfer Agreement may agree in writing), the Huizhou Equity Transfer Agreement will terminate.

For the avoidance of doubt, the Huizhou Equity Transfer Agreement and the Jiangmen Equity and Loan Transfer Agreement are not inter-conditional.

As at the Latest Practicable Date, Guangdong Land Shenzhen and the Huizhou Vendors have no intention to waive any of the conditions precedent abovementioned. As at the Latest Practicable Date, save for condition (i), all other conditions precedent to the Huizhou Equity Transfer Agreement have been fulfilled.

Completion

After the Huizhou Effective Date, the Huizhou Vendors shall proceed with (i) all registration and/or filing procedures with the relevant administration for industry and commerce department in the PRC in respect of the transfer of the Huizhou Sale Equity, the change of shareholder of Huiyang Yuehai and the amendments of articles of association of Huiyang Yuehai and (ii) all the required procedures for the change of nature of Huiyang Yuehai in respect of a wholly foreign-owned enterprises under PRC law. The Huizhou Vendors shall apply for the change of registration (工商登記) in respect of the transfer of the Huizhou Sale Equity with the relevant administration for industry and commerce department in the PRC within 5 Business Days from the Huizhou Effective Date.

The date of the Huizhou Acquisition Completion shall be the date of completion of the change of registration of the Huizhou Sale Equity with the relevant administration for industry and commerce department in the PRC. Subject to the terms and conditions of the Huizhou Equity Transfer Agreement, the expected date of the Huizhou Acquisition Completion will be in February 2021.

C.2 Information on the Huizhou Target Group

Huiyang Yuehai is a limited liability company established in the PRC on 18 January 1993 and is principally engaged in the development, construction, operation and management of properties. As at the Latest Practicable Date, the equity interest of Huiyang Yuehai is owned as to 80% and 20% by GDH (Hui Yang) and Yuegang Investment, respectively.

Huizhou Yuehai is a wholly-owned subsidiary of Huiyang Yuehai. Huizhou Yuehai is a limited liability company established in the PRC on 10 September 2007. Its principal assets comprise interest in the Huizhou Land, and it will be principally engaged in the development of the Huizhou Dayawan Project.

Upon the Huizhou Acquisition Completion, 100% of the equity capital of Huiyang Yuehai will be owned by Guangdong Land Shenzhen, and Huiyang Yuehai and Huizhou Yuehai will become indirect wholly-owned subsidiaries of the Company.

The Huizhou Dayawan Project

The principal asset of the Huizhou Target Group is a parcel of land located at Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong Province, the PRC with a total site area of approximately 30,698 sq. m. (the "**Huizhou Land**"). The Huizhou Land has been approved for city and town residential uses. Huizhou City is an important gateway on the east coast of the Greater Bay Area and has good transport infrastructure including an airport. The Huizhou Land is located in the southern part of Huizhou City, and north of Huiyang and west of Pingshan, Shenzhen. The Huizhou Land is close to Xin'ao Avenue, a trunk road connecting Huiyang and Dayawan District, and is only seven kilometres away from the Huizhou High-speed South Railway Station. The Huizhou Land is situated at an excellent geographical location which is 100 kilometres from Hong Kong, 68 kilometres from Macau, 60 kilometres from Shenzhen city centre and 120 kilometres from Dongguan city centre.

The Group intends to develop a property project on the Huizhou Land, which will have an aggregate gross floor area of approximately 92,094 sq. m., comprising (i) approximately 81,469 sq. m. for residential use, (ii) approximately 9,209 sq. m. for commercial use, and (iii) 1,416 sq. m. for ancillary public facilities (the "**Huizhou Dayawan Project**"). The Huizhou Dayawan Project is positioned to be a quality urban residential community with natural slope land garden view. The completion of works (竣工備案) for the development of the Huizhou Dayawan Project is expected to be filed in October 2023 and the pre-sale of the Huizhou Dayawan Project is expected to commence in March 2022. As at the Latest Practicable Date, the planning design and application for construction for the Huizhou Dayawan Project is in progress. Since the date of the Huizhou Equity Transfer Agreement and up to the Latest Practicable Date, the Group did not have any financial commitment to the Huizhou Target Group for the Huizhou Dayawan Project.

Huizhou Yuehai acquired the land use rights to the Huizhou Land from the PRC Government through online listing-for-sale in August 2007. Huizhou Yuehai's acquisition costs for the Huizhou Land is approximately RMB54,228,000 (equivalent to approximately HK$62,489,000). The relevant payments in respect of the up-front development costs of the Huizhou Dayawan Project amount to approximately RMB6,762,000 (equivalent to approximately HK$7,792,000) in aggregate as at 31 August 2020. As at 31 August 2020, the book value of the consolidated total assets of Huiyang Yuehai was approximately RMB153,212,000 (equivalent to approximately HK$176,552,000).

Financial information of Huiyang Yuehai

Set out below is certain consolidated financial information of Huiyang Yuehai for each of the two financial years ended 31 December 2019 and for the seven months ended 31 July 2020, respectively, based on the audited consolidated financial information of Huiyang Yuehai prepared in accordance with HK GAAP as set out in Appendix III of this circular:

	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the seven months ended 31 July 2020**
Profit/(loss) before tax	RMB1,193,000 (equivalent to approximately HK$1,375,000)	RMB(1,862,000) (equivalent to approximately HK$(2,146,000))	RMB(1,075,000) (equivalent to approximately HK$(1,239,000))
Loss after tax	RMB(97,000) (equivalent to approximately HK$(112,000))	RMB(2,539,000) (equivalent to approximately HK$(2,926,000))	RMB(1,293,000) (equivalent to approximately HK$(1,490,000))

The consolidated net asset value of Huiyang Yuehai as at 31 July 2020 was approximately RMB148,563,000 (equivalent to approximately HK$171,195,000).

C.3 Information on the parties to the Huizhou Equity Transfer Agreement

For information on Guangdong Land Shenzhen, please refer to the section headed "B. The Jiangmen Acquisition – B.3 Information on Guangdong Land Shenzhen and the Group" in this letter from the Board contained in this circular.

For information on Yuegang Investment, please refer to the section headed "B. The Jiangmen Acquisition – B.4 Information on Yuegang Investment" in this letter from the Board contained in this circular.

GDH (Hui Yang) is a company incorporated in Hong Kong with limited liability on 7 June 2006 and is principally engaged in investment holding. GDH (Hui Yang) is an indirect wholly-owned subsidiary of Guangdong Holdings (being the ultimate controlling shareholder and therefore a connected person of the Company), and, hence, an associate of Guangdong Holdings and a connected person of the Company under Chapter 14A of the Listing Rules.

C.4 Reasons for and benefits of the Huizhou Acquisition

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

The Group is principally engaged in property development and investment businesses. The Company is optimistic about the real estate market in Huizhou City which is one of the nine municipalities in the Greater Bay Area. Subsequent to the implementation of the relevant plans and policies for the Greater Bay Area by the PRC Government, further integration and development of the cities in the 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 the first-tier cities in the PRC, it is also keen on building its foothold in cities within the Greater Bay Area and the Pearl River Delta region with the view to developing a long-term sustainable business model.

Through the Huizhou Acquisition, the Group will acquire the Huizhou Land and continue to develop the Huizhou Dayawan Project. The Huizhou Dayawan Project is adjacent to certain shopping areas, reputable schools and two hospitals. The Huizhou Dayawan Project is also connected to a major transportation network with expressways, the high-speed railway and other public transport, making it accessible to Shenzhen within one hour. The Huizhou Dayawan Project has a site area of approximately 30,698 sq. m. with an expected aggregate gross floor area of approximately 92,094 sq. m. The Group intends to sell all the properties to be developed under the Huizhou Dayawan Project. Leveraging on the strategic development of the Greater Bay Area as supported by the PRC Government, it is expected that the Huizhou Dayawan Project will generate good investment return to the Group and enhance the brand image of Guangdong Land Shenzhen as a quality and established property developer. Accordingly, the Directors believe that the Huizhou Acquisition is an excellent investment opportunity which is in line with the Group's long-term business plan and development strategies. The Company is not aware of any adverse impacts on the Company from the Huizhou Acquisition. The Company is not aware that the Huizhou Acquisition has any disadvantage to the Company.

D. LISTING RULES IMPLICATIONS

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 25 of this circular)) considers that the terms and conditions of the Acquisitions 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. LI Yonggang, Ms. ZHU Guang and Mr. ZHANG Jun, being the Directors, are also directors of certain subsidiaries of Guangdong Holdings. All of the abovementioned Directors present at the relevant Board meeting abstained from voting on the Board resolutions for the entering into of the Acquisition Agreements by Guangdong Land Shenzhen. 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 Acquisitions, and the associates of each of them, will abstain from voting at the SGM in respect of the proposed resolutions relating to the Acquisitions, the Acquisition Agreements and the transactions contemplated thereunder.

Since Yuegang Investment and GDH (Hui Yang) 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, each of the Acquisitions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On a standalone basis, since one of the applicable percentage ratios in respect of the Jiangmen Acquisition exceeds 25% but all the applicable percentage ratios are less than 100%, the Jiangmen Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. On a standalone basis, since one of the applicable percentage ratios in respect of the Huizhou Acquisition is more than 5% but all the applicable percentage ratios are less than 25%, the Huizhou Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As the Acquisition Agreements were entered into by Guangdong Land Shenzhen (an indirect wholly-owned subsidiary of the Company) with the parties who are associates of Guangdong Holdings (and hence connected persons of the Company) and within a 12-month period, the Acquisition Agreements shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. On an aggregated basis, as the one of the applicable percentage ratios in respect of the Acquisitions exceeds 25% but all the applicable percentage ratios are less than 100%, the Acquisitions constitute major transactions of the Company under Chapter 14 of the Listing Rules.

E. SGM

A notice of the SGM is set out on pages SGM-1 and SGM-3 of this circular. The SGM will be convened at Concord Room 1, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 15 December 2020 at 10:30 a.m., at which, the resolutions in respect of the Acquisitions will be proposed to be considered and, if thought fit, approved by the Independent Shareholders. Pursuant to Rule 13.39(4) of the Listing Rules, all votes to be taken at the SGM will be taken by way of poll.

Any Shareholder with a material interest in the Acquisitions, the Acquisition Agreements and the transactions contemplated thereunder and its/his close associates are required to abstain from voting on the relevant proposed resolutions at the SGM. As at the Latest Practicable Date, GDI holds 1,263,494,221 Shares (representing approximately 73.82% of the total issued Shares), and the ultimate controlling shareholder of GDI is Guangdong Holdings. For the reasons aforementioned, GDI will therefore abstain from voting at the SGM.

Saved as disclosed, to the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no other Shareholders or any of their respective associates have any material interest in the Acquisitions and the transactions contemplated under the Acquisition Agreements and thus none of the other Shareholders is required to abstain from voting on the relevant proposed resolutions at the SGM.

A form of proxy for use at the SGM is accompanied with this circular. Whether or not you intend to attend the SGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time of 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 adjourned meeting should you so wish.

The register of members of the Company will be closed and no transfer of shares will be effected during the period from Thursday, 10 December 2020 to Tuesday, 15 December 2020, both days inclusive, for determining the Shareholders' eligibility to attend and vote at the SGM.

F. FINANCIAL EFFECTS OF THE ACQUISITIONS ON THE GROUP

Upon the Jiangmen Acquisition Completion and the Huizhou Acquisition Completion, Jiangmen Yuehai and Huiyang Yuehai will become indirect subsidiaries of the Company, respectively. The assets and liabilities of Jiangmen Yuehai and Huiyang Yuehai will be consolidated into the consolidated financial statements of the Group as at the date of the Jiangmen Acquisition Completion and the Huizhou Acquisition Completion, respectively. The results of Jiangmen Yuehai and Huiyang Yuehai will be consolidated into the consolidated financial statements of the Group since the date of the Jiangmen Acquisition Completion and the Huizhou Acquisition Completion, respectively.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular (the "**Unaudited Pro Forma Financial Information of the Enlarged Group**"), if the Acquisitions had been completed on 30 June 2020, the total assets of the Group would have been increased from approximately HK$14,689.7 million to approximately HK$16,417.2 million on a pro forma basis; the total liabilities of the Group would have been increased from approximately HK$8,188.3 million to approximately HK$9,227.3 million on a pro forma basis and the net assets of the Group would have been increased from approximately HK$6,501.4 million to approximately HK$7,189.8 million.

Gearing ratio

With reference to the Company's 2020 interim report, as at 30 June 2020, the Group borrowed interest-bearing loans from certain banks and a fellow subsidiary of the Company in an aggregate amount of approximately HK$4,488 million. As at 31 July 2020, the Target Companies had outstanding interest-bearing loans in respect of the development of the Jiangmen Ganhua Project of approximately RMB500 million (equivalent to approximately HK$576 million). Based on the Unaudited Pro Forma Financial Information of the Enlarged Group, the outstanding interest-bearing borrowings will be approximately HK$4,785.0 million. The gearing ratio ((Interest-bearing loans + lease liabilities – cash and cash equivalents) ÷ Net assets) of the Enlarged Group will be approximately 40.1%.

Earnings

It is expected that the Jiangmen Ganhua Project and the Huizhou Dayawan Project will generate revenue from the sale of the the properties to be developed from 2022. The Enlarged Group will include the revenue, expenses and results of Jiangmen Yuehai and Huiyang Yuehai after the Jiangmen Acquisition Completion and the Huizhou Acquisition Completion, respectively.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020 was prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2020, as set out in the interim report of the Company for the six months ended 30 June 2020 published on 23 September 2020; and (ii) the audited statement of financial position of Jiangmen Yuehai and Huiyang Yuehai as at 31 July 2020 as set out in Appendix II and Appendix III to this circular, after incorporating pro forma adjustments described in the accompanying notes as set out in Appendix V to this circular, assuming the Acquisitions had been completed on 30 June 2020.

G. 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) set out on page 25 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the fairness and reasonableness of the Acquisitions, the Acquisition Agreements and the transactions contemplated thereunder; and

(ii) the letter from the Independent Financial Adviser set out on pages 26 to 50 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on whether the terms and conditions of the Acquisitions, the Acquisition Agreements 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 resolutions set out in the notice convening the SGM.

H. 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
XU Yeqin
Chairman

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GUANGDONG LAND HOLDINGS LIMITED
粵 海 置 地 控 股 有 限 公 司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00124)

25 November 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 25 November 2020 (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 Acquisitions, being connected transactions, pursuant to the terms and conditions of the Acquisition Agreements, and to advise the Independent Shareholders as to whether, in our opinion, the Acquisitions are 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 Acquisitions.

We would like to draw your attention to the letter from the Board set out on pages 8 to 24 of the Circular which contains, among other things, information on the Acquisitions and the letter from the Independent Financial Adviser set out on pages 26 to 50 of the Circular which contains its advice in respect of the Acquisitions, the Acquisition Agreements and the transactions contemplated thereunder.

Having taken into account the principal factors and reasons underlying the Acquisitions as well as the advice of the Independent Financial Adviser as set out herein, we consider the terms and conditions of the Acquisitions, the Acquisition Agreements and the transactions contemplated thereunder to be fair and reasonable, on normal commercial terms, in the usual and ordinary course of business of the Group 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 resolutions in respect of the Acquisitions, the Acquisition Agreements 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

25 November 2020

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, 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 25 November 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, on 29 October 2020, the Company announced that Guangdong Land Shenzhen (the "**Purchaser**") (being an indirect wholly-owned subsidiary of the Company) entered into the Jiangmen Equity and Loan Transfer Agreement with Yuegang Investment, pursuant to which the Purchaser has conditionally agreed to (i) acquire from Yuegang Investment 51% equity interest in Jiangmen Yuehai for the aggregate consideration of RMB648,179,553 (equivalent to approximately HK$746,923,000), subject to adjustment (if any) in accordance with the terms of the Jiangmen Equity and Loan Transfer Agreement; and (ii) acquire the Sale Loan for the consideration of RMB306,000,000 (equivalent to approximately HK$352,616,000). The total payment under the Jiangmen Equity and Loan Transfer Agreement is RMB954,179,553 (equivalent to approximately HK$1,099,539,000).

On the same date, the Company announced that the Purchaser entered into the Huizhou Equity Transfer Agreement with GDH (Hui Yang) and Yuegang Investment, pursuant to which the Purchaser has conditionally agreed to acquire from GDH (Hui Yang) and Yuegang Investment the entire equity interest in Huiyang Yuehai for the aggregate consideration of RMB273,797,700 (equivalent to approximately HK$315,508,000), subject to adjustment (if any) in accordance with the terms of the Huizhou Equity Transfer Agreement.

Since one of the applicable percentage ratios in respect of the Acquisitions (on an aggregate basis) exceeds 25% but all the applicable percentage ratios are less than 100% as determined in accordance with Rule 14.07 of the Listing Rules, the Acquisitions constitute major transactions of the Company under Chapter 14 of the Listing Rules. Further, Yuegang Investment and GDH (Hui Yang) are directly and indirectly (as the case may be) wholly-owned by Guangdong Holdings (being the ultimate controlling Shareholder holding approximately 73.82% of the issued share capital of the Company 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, each of the Acquisitions 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.

As at the Latest Practicable Date, Mr. LI Yonggang, Ms. ZHU Guang and Mr. ZHANG Jun, being Directors, are also directors of certain subsidiaries of Guangdong Holdings. All of the abovementioned Directors present at the relevant Board meeting abstained from voting on the Board resolutions for the entering into of the Acquisition Agreements 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 Acquisitions, and the associates of each of them, will abstain from voting at the SGM in respect of the proposed resolutions relating to the Acquisitions, the Acquisition Agreements 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 established to consider the Acquisitions. Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisitions, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Acquisition Agreements are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote at the SGM.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Acquisition Agreements or their respective core connected persons or associates. As at the Latest Practicable Date, we did not have any relationship with or interests in the Company, the counterparties of each of the Acquisition Agreements or their respective core connected persons or associates, or any other parties nor had we acted as an independent financial adviser to the Company's other transactions in the last two years that could be reasonably regarded as a hindrance to Ballas Capital Limited'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 Acquisitions. Accordingly, we consider we are eligible to give independent advice on the Acquisition Agreements and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in 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.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. In forming our opinion, we have reviewed, including but not limited to, (i) the Acquisition Agreements; (ii) the Valuation Report (including the calculations, valuation methodologies, bases and key assumptions adopted and comparables used in the Valuation Report); (iii) the Valuer's credential (including qualification, experience and terms of engagement); (iv) the announcement of the Company and GDI dated 29 October 2020 in relation to the Acquisition Agreements; (v) the annual report of the Company for the year ended 31 December 2019 (the "**Annual Report**"); (vi) the interim report of the Company for the six months ended 30 June 2020 (the "**Interim Report**"); (vii) the accountant's report of each of Jiangmen Yuehai and the Huizhou Target Group; (viii) the computation of the adjusted net asset value of each of Jiangmen Yuehai and the Huizhou Target Group; (ix) the unaudited pro forma financial information of the Enlarged Group; (x) the working capital forecast of the Enlarged Group for the coming 12 months from the expected date of the Circular; (xi) the information from Jiangmen Statistics Bureau (the "**JSB**") and Huizhou Statistics Bureau (the "**HSB**") in respect of the economic development and the property markets in Jiangmen City and Huizhou City; (xii) the proposed Outline of the 14th Five-Year Plan for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十四個五年規劃綱要) (the "**14th Five-Year Plan**"); and (xiii) the interest rates generally charged by banks in the PRC for issuing one-year loan denominated in RMB. 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 Purchaser, Jiangmen Yuehai, Huiyang Yuehai, GDH (Hui Yang) and Yuegang Investment or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A) Background of the Acquisitions

(i) The Jiangmen Equity and Loan Transfer Agreement

On 29 October 2020, the Company announced that the Purchaser entered into the Jiangmen Equity and Loan Transfer Agreement with Yuegang Investment, pursuant to which the Purchaser has conditionally agreed to (i) acquire from Yuegang Investment the Jiangmen Sale Equity (representing 51% of the total equity interest of Jiangmen Yuehai) for the aggregate Jiangmen Equity Consideration of RMB648,179,553 (equivalent to approximately HK$746,923,000), subject to adjustment (if any) in accordance with the terms of the Jiangmen Equity and Loan Transfer Agreement; and (ii) acquire the Sale Loan (representing 51% principal of the outstanding shareholder's loan owing by Jiangmen Yuehai to Yuegang Investment in the aggregate amount of RMB600,000,000 as at the date of the Jiangmen Equity and Loan Transfer Agreement. The Outstanding Shareholder's Loan includes a drawdown of shareholder's loan in the amount of RMB100,000,000 on 15 October 2020, which was subsequent to the track record period of the audited financial information of Jiangmen Yuehai as set out in Appendix II of the Circular) for the Sale Loan Consideration of RMB306,000,000 (equivalent to approximately HK$352,616,000). The total payment under the Jiangmen Equity and Loan Transfer Agreement is RMB954,179,553 (equivalent to approximately HK$1,099,539,000). The Jiangmen Equity Consideration represents a discount of approximately 0.38% to the Adjusted NAV (as defined below) of Jiangmen Yuehai as at 31 August 2020. Details of our analysis on the Jiangmen Equity Consideration are set out in the sub-section headed "D) Principal terms of the Acquisition Agreements — (ii) Consideration" in our letter below.

Upon the Jiangmen Acquisition Completion, 51% of the equity capital of Jiangmen Yuehai will be owned by the Purchaser and Jiangmen Yuehai will become an indirect non-wholly owned subsidiary of the Company.

(ii) The Huizhou Equity Transfer Agreement

On 29 October 2020, the Company announced that the Purchaser entered into the Huizhou Equity Transfer Agreement with GDH (Hui Yang) and Yuegang Investment, pursuant to which the Purchaser has conditionally agreed to acquire from GDH (Hui Yang) and Jiangmen Yuehai the entire equity interest in Huiyang Yuehai for the aggregate Huizhou Acquisition Consideration of RMB273,797,700 (equivalent to approximately HK$315,508,000), subject to adjustment (if any) in accordance with the terms of the Huizhou Equity Transfer Agreement. The Huizhou Acquisition Consideration represents a discount of approximately 5.26% to the Adjusted NAV (as defined below) of the Huizhou Target Group as at 31 August 2020. Details of our analysis on the Huizhou Acquisition Consideration are set out in the sub-section headed "D) Principal terms of the Acquisition Agreements — (ii) Consideration" in our letter below.

Upon the Huizhou Acquisition Completion, Huiyang Yuehai and its subsidiary, namely Huizhou Yuehai, will become indirect wholly-owned subsidiaries of the Company.

B) Background information of the Group and the Purchaser

(i) Background information of the Group

The Group is principally engaged in property development and investment businesses.

As at the Latest Practicable Date, the Group holds (a) two property development projects, namely the GDH City Project in Luohu District in Shenzhen City and the Chenyuan Road Project in Pengjiang District in Jiangmen City; (b) three residential property projects in Guangzhou City, namely the Ruyingju Project in Panyu District, the Laurel House Project in Yuexiu District, and the Baohuaxuan Project in Liwan District; and (c) certain investment properties in Shenzhen City.

(ii) Background information of the Purchaser

The Purchaser is a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in property development and investment in the PRC.

(iii) Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial performance of the Company for the years ended 31 December 2018 and 2019 and unaudited consolidated financial performance of the Company for the six months ended 30 June 2019 and 2020 as extracted from the Annual Report and the Interim Report, respectively.

Financial performance of the Group

	For the year ended 31 December		For the six months ended 30 June	
	2018 ("FY2018")	**2019 ("FY2019")**	**2019 ("1H2019")**	**2020 ("1H2020")**
	HK$'000 *(audited)*	*HK$'000* *(audited)*	*HK$'000* *(unaudited)*	*HK$'000* *(unaudited)*
Revenue				
— Sales of properties	309,434	1,826,370	460,530	1,890,703
— Rental income	2,987	10,306	3,621	7,780
Total revenue	**312,421**	**1,836,676**	**464,151**	**1,898,483**
Cost of sales	(217,055)	(1,520,248)	(344,523)	(1,023,225)
Gross profit	**95,366**	**316,428**	**119,628**	**875,258**
Other income	23,664	—	—	—
Other gains, net	304,920	587,484	17,008	1,893,074
Selling and marketing expenses	(29,509)	(86,037)	(30,794)	(76,531)
Administrative expenses	(95,687)	(117,939)	(50,180)	(62,341)
Finance costs, net	(25,271)	(65,111)	(35,813)	(10,354)
Profit before tax	**273,483**	**634,825**	**19,849**	**2,619,106**
Income tax expense	(43,005)	(285,336)	(47,242)	(878,226)
Profit/(loss) for the year/period	**230,478**	**349,489**	**(27,393)**	**1,740,880**

Comparison of historical results between years for material items

1H2020 vs 1H2019

The Group recorded revenue of approximately HK$1,898 million for 1H2020, representing an increase of approximately HK$1,434 million or 309.0% as compared to approximately HK$464 million for 1H2019. The Group also recorded gross profit of approximately HK$875 million for 1H2020, representing an increase of approximately HK$755 million or 631.6% as compared to approximately HK$120 million for 1H2019. According to the Interim Report, such increase was mainly attributable to the increase in sale of GFA of properties held for sale due to the completion of works has been filed for the properties built on the Northwestern Land of the GDH City Project and the Group has started to deliver properties to the purchasers in June 2020. Due to the relatively high profit margin of such properties, the revenue and gross profit increased significantly for 1H2020 as compared to that for 1H2019.

The Group's other gains and losses mainly consist of fair value gains on investment properties, exchange gains and losses, and one-off items such as gain on bargain purchase. The Group recorded other gains of approximately HK$1,893 million for 1H2020, representing a significant increase of approximately HK$1,876 million as compared to that of approximately HK$17 million for 1H2019. As noted from the Interim Report, such increase was mainly attributable to the increase in fair value gains on investment properties built on the Southern Land of the GDH City Project.

The Group's tax expenses mainly comprise of corporate income tax and land appreciation tax in Mainland China and deferred income tax. The Group recorded income tax expenses of approximately HK$878 million for 1H2020, representing a significant increase of approximately HK$831 million as compared to that of approximately HK$47 million for 1H2019, which was mainly attributable to the increase in taxable income as a result of the increase in business activities during the period.

As a result of the above, the Group's net profit recorded a significant increase from a net loss of approximately HK$27 million for 1H2019 to a net profit of approximately HK$1,741 million for 1H2020.

FY2019 vs FY2018

The Group recorded revenue of approximately HK$1,826 million for FY2019, representing an increase of approximately HK$1,517 million or 490.2% as compared to approximately HK$309 million for FY2018. The Group also recorded gross profit of approximately HK$316 million for FY2019, representing an increase of approximately HK$221 million or 231.8% as compared to approximately HK$95 million for FY2018. According to the Annual Report, such increase was mainly attributable to the increase in GFA of sold properties held for sale.

The Group recorded other gains of approximately HK$587 million for FY2019, representing an increase of approximately HK$282 million as compared to that of approximately HK$305 million for FY2018. As noted from the Annual Report, such increase was mainly attributable to (i) the increase in fair value gains on investment properties of approximately HK$562 million for FY2019 mainly from the investment properties built on the Northern Land of the GDH City Project, net of (ii) the recognition of gain on bargain purchase of approximately HK$297 million for FY2018.

The Group recorded income tax expenses of approximately HK$285 million for FY2019, representing a significant increase of approximately HK$242 million as compared to that of approximately HK$43 million for FY2018, which was mainly attributable to the increase in taxable income as a result of the increase in business activities during the period.

As a result of the above, the Group's net profit recorded an increase from approximately HK$230 million for FY2018 to approximately HK$349 million for FY2019.

Financial position of the Group

	As at 30 June 2020 HK$'000 (unaudited)
Non-current assets	5,238,882
Current assets	9,450,796
Total assets	**14,689,678**
Current liabilities	2,798,207
Non-current liabilities	5,390,072
Total liabilities	**8,188,279**
Net current assets	**6,652,589**
Net assets	**6,501,399**
Net assets attributable to	
— Owners of the Company	6,393,250
— Non-controlling interest	108,149
Net assets	**6,501,399**

As at 30 June 2020, total assets of the Group amounted to approximately HK$14,690 million, which mainly comprised (i) investment properties of approximately HK$4,929 million; (ii) completed properties held for sale of approximately HK$4,550 million; (iii) cash and cash equivalents of approximately HK$2,394 million; and (iv) properties held for sale under development of approximately HK$1,596 million.

As at 30 June 2020, total liabilities of the Group amounted to approximately HK$8,188 million, which mainly comprised (i) loans from a fellow subsidiary of approximately HK$2,365 million; (ii) bank borrowings of approximately HK$2,123 million; and (iii) deferred tax liabilities of approximately HK$1,548 million.

As at 30 June 2020, the Group recorded net assets attributable to owners of the Company of approximately HK$6,393.3 million.

(iv) Our view

Based on the Group's (i) principal business in the property development and investment; and (ii) strategies to seize opportunities to expand the Group's land reserve as mentioned in the Annual Report, we consider that the Acquisitions fall within the ordinary and usual course of business of the Group.

C) Background information of the Target Companies

(i) Business of the Target Companies

Jiangmen Yuehai

Jiangmen Yuehai is a limited liability company established in the PRC on 23 June 2020 and is wholly-owned by Yuegang Investment as at the Latest Practicable Date. Jiangmen Yuehai is principally engaged in the development of Jiangmen Ganhua Project. The principal asset of Jiangmen Yuehai is the Jiangmen Land.

As stated in the Letter from the Board, Jiangmen Yuehai owns the three adjourning parcels of land use and development rights (the "**Jiangmen (No. 3 – 5) Land**") located at the east of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong Province, the PRC with an aggregate site area of 174,537.52 sq. m.. In addition, Jiangmen Yuehai is entitled to acquire the land use right of a parcel of land adjacent to the Jiangmen (No. 3 – 5) Land (the "**Jiangmen (No. 6) Land**", which, together with the Jiangmen (No. 3 – 5) Land shall be referred to as the "**Jiangmen Land**") with an aggregate site area of 18,114.82 sq. m., subject to the approval of the relevant government authorities in accordance with the policy of "Three Olds" Renovation. As discussed with the management of the Group, Jiangmen Yuehai shall be responsible for the resettlement of the residents on Jiangmen (No. 6) Land in order to fulfill certain requirements of the "Three Olds" Renovation. Jiangmen Yuehai shall be entitled to acquire the land use right of Jiangmen (No. 6) Land without paying any land premium after obtaining the approval from the relevant government authorities. As stated in the Letter from the Board, provided that Jiangmen Yuehai will comply with the requirements (which are customary for a property development project of this nature) as set out in the relevant agreement and letter entered into with/issued by the relevant government authorities in relation to the "Three Olds" Renovation, there is no legal impediment in obtaining the approval of the relevant government authorities. For details of the material requirements under the relevant agreement and letter in relation to the said approval to be obtained, please refer to Note 4 on page VI-9 of the Valuation Report as set out in Appendix VI of the Circular. As disclosed in Note 5 on page VI-9 of the Valuation Report as set out in Appendix VI of the Circular, in the course of the valuation of the Jiangmen Land, the Valuer has ascribed commercial value to the Jiangmen (No. 3 – 5) Land only and has taken into account of the resettlement and compensation requirements stated in Notes 3 and 4 on pages VI-8 and VI-9 of the Valuation Report as set out in Appendix VI of the Circular. It is expected that the relevant approval can be obtained in the third quarter of 2024.

Even in the unlikely event that the approval abovementioned could not be obtained, it is not expected that there will be material adverse effects on the development of the Jiangmen Ganhua Project as a whole because (i) no commercial value was ascribed to the Jiangmen (No. 6) Land in the Valuation Report as at 31 August 2020 and therefore no value of the Jiangmen (No. 6) Land was included in the Jiangmen Acquisition Total Consideration; (ii) the site area of the Jiangmen (No. 6) Land only represents less than 10% of the total site area of the Jiangmen Land; and (iii) the Jiangmen (No. 6) Land will be developed mainly for medical and health uses and its development is not essential to and is independent from the development of the Jiangmen (No. 3 – 5) Land.

The Group intends to develop the Jiangmen Ganhua Project on the Jiangmen Land which is a large-scale integrated property project and will have an aggregate GFA of approximately 438,198.02 sq. m. (comprising (i) on the Jiangmen (No. 3 – 5) Land, approximately 274,371.00 sq. m. for residential use, approximately 119,194.52 sq. m. for commercial use and approximately 3,035.00 sq. m. for ancillary public facilities; and (ii) on the Jiangmen (No. 6) Land, approximately 28,797.00 sq. m. for elderly residential apartments and public service facilities, and approximately 12,800.50 sq. m. for care homes and health centers). As at the Latest Practicable Date, the construction of pile foundation and sale centre for the Jiangmen Ganhua Project is in progress. The construction of the Jiangmen Ganhua Project is divided into three phases and the whole project is expected to be completed in December 2026. The pre-sale of the first phase of the Jiangmen Ganhua Project is expected to be commenced in May 2021, subject to the prevailing market conditions. Since the date of the Jiangmen Equity and Loan Transfer Agreement and up to the Latest Practicable Date, the Group did not have any financial commitment to Jiangmen Yuehai for the Jiangmen Ganhua Project. Details of the Jiangmen Ganhua Project are set out in the section headed "B) The Jiangmen Acquisition – B.2 Information on Jiangmen Yuehai" of the Letter from the Board.

As stated in the Letter from the Board, Jiangmen Yuehai acquired the land use rights to the Jiangmen (No. 3 – 5) Land from the PRC Government through online listing-for-sale in June 2020 of approximately RMB1,683.7 million (equivalent to approximately HK$1,940.1 million). The relevant payments in respect of the up-front development costs of the Jiangmen Ganhua Project amounted to approximately RMB53.2 million (equivalent to approximately HK$61.3 million) in aggregate as at 31 August 2020.

According to the Valuation Report as set out in Appendix VI of the Circular, the market value of the Jiangmen Land was approximately RMB1,759.0 million (equivalent to approximately HK$2,027.0 million) as at 31 August 2020.

Huiyang Yuehai

Huiyang Yuehai is a limited liability company established in the PRC on 18 January 1993 and its equity interest is owned by GDH (Hui Yang) and Yuegang Investment as to 80% and 20% respectively as at the Latest Practicable Date. Its wholly-owned subsidiary, namely Huizhou Yuehai, is a limited liability company established in the PRC on 10 September 2007 and will be principally engaged in the development of the Huizhou Dayawan Project. The principal assets of the Huizhou Target Group are cash and cash equivalents and the Huizhou Land.

As stated in the Letter from the Board, the Huizhou Target Group owns the Huizhou Land which is a parcel of land use and development rights located at Mamiao, Aotou Dayawan District, Huizhou City, Guangdong Province, the PRC with an aggregate site area of 30,698 sq. m..

The Group intends to develop the Huizhou Dayawan Project on the Huizhou Land, which will have an aggregate GFA of approximately 92,094 sq. m. (comprising approximately 81,469 sq. m. for residential use, approximately 9,209 sq. m. for commercial use and approximately 1,416 sq. m. for ancillary public facilities). As at the Latest Practicable Date, the planning design and application for construction for the Huizhou Dayawan Project is in progress. The completion of works for the construction of the Huizhou Dayawan Project is expected to be filed in October 2023 and the pre-sale of the Huizhou Dayawan Project is expected to be commenced in March 2022, subject to the prevailing market conditions. Since the date of the Huizhou Equity Transfer Agreement and up to the Latest Practicable Date, the Group did not have any financial commitment to the Huizhou Target Group for the Huizhou Dayawan Project. Details of the Huizhou Dayawan Project are set out in the section headed "C) The Huizhou Acquisition – C.2 Information on the Huizhou Target Group" of the Letter from the Board.

As stated in the Letter from the Board, Huiyang Yuehai acquired the land use rights to the Huizhou Land from the PRC Government through online listing-for-sale in August 2007 of approximately RMB54.2 million (equivalent to approximately HK$62.5 million). The relevant payments in respect of the up-front development costs of the Huizhou Dayawan Project amounted to approximately RMB6.8 million (equivalent to approximately HK$7.8 million) in aggregate as at 31 August 2020.

According to the Valuation Report as set out in Appendix VI of the Circular, the market value of the Huizhou Land was approximately RMB360.8 million (equivalent to approximately HK$415.8 million) as at 31 August 2020.

(ii) Financial information of the Target Companies

Jiangmen Yuehai

Based on the Accountant's Report of Jiangmen Yuehai, the summary of the audited financial information of Jiangmen Yuehai for the period from 23 June 2020 (i.e. the incorporate date of Jiangmen Yuehai) to 31 July 2020, which were prepared in accordance with the HK GAAP, are set out below (please refer to Appendix II to the Circular for detailed information):

Summary of the financial performance of Jiangmen Yuehai

	For the period from 23 June 2020 to 31 July 2020 *RMB'000* *(audited)*
Loss before tax	(752)
Net loss for the period	(752)

Summary of the financial position of Jiangmen Yuehai

	As at 31 July 2020 *RMB'000* *(audited)*
Total assets	1,760,496
Total liabilities	501,248
Net assets	1,259,248

As stated in Appendix II to the Circular, the total assets of Jiangmen Yuehai as at 31 July 2020 mainly comprised properties held for sale under development of RMB1,734.8 million, which represents the Jiangmen Land, and cash and cash equivalents of RMB25.4 million. The total liabilities of Jiangmen Yuehai as at 31 July 2020 mainly comprised loans from Yuegang Investment of RMB500 million.

Huizhou Target Group

Based on the Accountant's Report of the Huizhou Target Group, the summary of the audited consolidated financial information of Huiyang Yuehai for the years ended 31 December 2018 and 2019 and for the seven months ended 31 July 2019 and 2020, which were prepared in accordance with the HK GAAP, are set out below (please refer to Appendix III to the Circular for detailed information):

Summary of the financial performance of the Huizhou Target Group

	For the year ended 31 December		**For the seven months 31 July**	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(audited)*
Revenue	4,557	3,905	2,012	985
Profit/(loss) before tax	1,193	(1,862)	(363)	(1,075)
Net loss for the year/ period	(97)	(2,539)	(738)	(1,293)

Summary of the financial position of the Huizhou Target Group

	As at 31 July 2020
	RMB'000
	(audited)
Total assets	152,880
Total liabilities	4,317
Net assets	148,563

As stated in Appendix III to the Circular, the total assets of the Huizhou Target Group as at 31 July 2020 mainly comprised cash and cash equivalents of RMB79.9 million and properties held for sale under development of RMB61.0 million, which represents the Huizhou Land.

(iii) Reasons for and benefits of the Acquisitions

Reasons for the Acquisitions

The Group has been principally engaged in property development and investment businesses from 2013 and has considerable experience in the real estate market in the PRC. While the Group successfully achieved a significant growth in its revenue in the year ended 31 December 2019, the Group has been cautiously proactive in searching for business opportunities in various property markets in the Guangdong province and believes that leveraging on its knowledge and experience in property-related businesses is key to creating additional sustainable value for the Group and stronger returns for the Shareholders amid the current challenging market conditions.

As referred to in the Letter from the Board, the Company is optimistic about the real estate market in Jiangmen City and Huizhou City which are two of the nine municipalities in the Greater Bay Area. Subsequent to the implementation of the relevant plans and policies for the Greater Bay Area by the PRC Government, further integration and development of the cities in the 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 in the PRC, it is also keen on building its foothold in cities within the Greater Bay Area and the Pearl River Delta region with the view to developing a long-term sustainable business model.

Through the Acquisitions, the Group will acquire the Jiangmen Land and Huizhou Land and develop the Jiangmen Ganhua Project and Huizhou Dayawan Project respectively. The Board believes that given the characteristics of the lands, such as accessibility and availability of local facilities, the Jiangmen Ganhua Project and Huizhou Dayawan Project are expected to attract a wide spectrum of potential purchasers and will provide the Group with an additional source of revenue upon completion of the development and delivery of the property units in coming years. Leveraging on the strategic development of the Greater Bay Area as supported by the PRC Government, the Board also expected that the Jiangmen Ganhua Project and Huizhou Dayawan Project will generate good investment return to the Group and enhance the brand image of the Group as a quality and established property developer. Moreover, the Board considers that the Acquisitions offer an opportunity for the Group to further tap into the property development business in the PRC and to capture the benefits from the PRC property market in the coming years, which is in line with the Group's long-term business plan and development strategies.

Overview of the economic development and the property market in Jiangmen City and Huizhou City

To obtain a better understanding of the property industry in Jiangmen City and Huizhou City, we have reviewed the information sourced from the JSB and the HSB in respect of the economic development and the property markets in Jiangmen City and Huizhou City respectively where the assets of the Target Companies are located.

Jiangmen City and Huizhou City are two of the nine municipalities in the Greater Bay Area. According to the JSB, Jiangmen City recorded nominal gross domestic product ("**GDP**") of approximately RMB314.7 billion in 2019, representing an increase of approximately 4.3% as compared to that in 2018. The total investment in fixed assets in Jiangmen City in 2019 also increased by approximately 8.3% as compared to that in 2018. The city recorded a total investment in real estate development of approximately RMB71.7 billion in 2019, representing an increase of approximately 24.8% as compared to that in 2018.

According to HSB, Huizhou City recorded GDP of approximately RMB417.7 billion in 2019, representing an increase of approximately 4.2% as compared to that in 2018. The total investment in fixed assets in Huizhou City in 2019 also increased by approximately 15.4% as compared to that in 2018. The city recorded a total investment in real estate development of approximately RMB115.0 billion in 2019, representing an increase of approximately 16.9% as compared to that in 2018.

To further review the prospects of the property markets in Jiangmen City and Huizhou City, we have also reviewed the 14th Five-Year Plan which was discussed by the government of the PRC in October 2020 and is expected to be implemented in the first quarter of 2021. Under the 14th Five-Year Plan, the macroeconomic policy aims at optimising the territorial and spatial planning, accelerating the development of the new type of urbanisation and promoting urban-rural integration. As being benefited from the government policy, the Directors believe that the investment in real estate development will further grow in core cities in Guangdong Province including Jiangmen City and Huizhou City.

(iv) Our view

Having taken into consideration the above, in particular, (i) the Acquisitions are 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 management's positive view on the prospects of the property markets in Jiangmen City and Huizhou City, we concur with the Directors' view that the Acquisitions represent acquisition opportunities for the Company to build on and strengthen the Company's operations through expansion and is a reasonable step to facilitate the expansion of strategic layout of the Group in Jiangmen City and Huizhou City which is in the interests of the Company and the Shareholders as a whole.

D) Principal terms of the Acquisition Agreements

The following are our analyses and views on the major terms of the Acquisition Agreements:

(i) Assets to be acquired

Pursuant to the Jiangmen Equity and Loan Transfer Agreement, the Purchaser agreed to (i) acquire the Jiangmen Sale Equity for the aggregate Jiangmen Equity Consideration of RMB648,179,553 (equivalent to approximately HK$746,923,000), subject to adjustment (if any) in accordance with the terms of the Jiangmen Equity and Loan Transfer Agreement; and (ii) acquire the Sale Loan for the Sale Loan Consideration of RMB306,000,000 (equivalent to approximately HK$352,616,000). The total payment under the Jiangmen Equity and Loan Transfer Agreement is RMB954,179,553 (equivalent to approximately HK$1,099,539,000).

Pursuant to the Huizhou Equity Transfer Agreement, the Purchaser agreed to acquire the Huizhou Sale Equity for the aggregate Huizhou Acquisition Consideration of RMB273,797,700 (equivalent to approximately HK$315,508,000), subject to adjustment (if any) in accordance with the terms of the Huizhou Equity Transfer Agreement.

Upon completion and performance of the terms of the Acquisition Agreements, the Group will, through the Purchaser, (i) own 51% of the equity interest of Jiangmen Yuehai and Jiangmen Yuehai will become an indirect non-wholly owned subsidiary of the Company; (ii) own 100% of the equity interest of Huiyang Yuehai and Huiyang Yuehai and Huizhou Yuehai will become indirect wholly-owned subsidiaries of the Company; and (iii) the financial results of each of Jiangmen Yuehai and the Huizhou Target Group will be consolidated into the financial statements of the Group.

(ii) Consideration

Jiangmen Acquisition

The total payment under the Jiangmen Equity and Loan Transfer Agreement is RMB954,179,553 (equivalent to approximately HK$1,099,539,000), comprising (i) the Jiangmen Equity Consideration of RMB648,179,553 (equivalent to approximately HK$746,923,000), subject to adjustment (if any) in accordance with the terms of the Jiangmen Equity and Loan Transfer Agreement; and (ii) the Sale Loan Consideration of RMB306,000,000 (equivalent to approximately HK$352,616,000).

As stated in the Letter from the Board, the Jiangmen Equity Consideration was arrived at after arm's length negotiations between the Purchaser and Yuegang Investment and after taking into account, among other things, (i) the market value of the Jiangmen Land, being the principal assets of Jiangmen Yuehai, as at 31 August 2020 of approximately RMB1,759.0 million (equivalent to approximately HK$2,027.0 million) according to the Valuation Report; (ii) the adjusted net asset value of Jiangmen Yuehai as at 31 August 2020 in the amount of approximately RMB1,275.8 million (equivalent to approximately HK$1,470.2 million) prepared on the basis of the unaudited management accounts of Jiangmen Yuehai dated 31 August 2020 in accordance with HK GAAP, which was adjusted based on the abovementioned value of the Jiangmen Land and related deferred tax liabilities arising therefrom (details of the calculations are set out in the sub-section headed "Assessment on the consideration" below); and (iii) the location and development potential of the Jiangmen Ganhua Project.

After the date of the Jiangmen Acquisition Completion, the Purchaser and Yuegang Investment shall jointly appoint an auditor to issue the Jiangmen Completion Accounts no later than 60 Business Days, and the Jiangmen Equity Consideration shall be subject to a downward adjustment (if any) in the event that (i) there is a shortfall in the net asset value of Jiangmen Yuehai as shown in the Jiangmen Completion Accounts as compared against the audited net asset value of Jiangmen Yuehai of RMB1,259,192,441 (equivalent to approximately HK$1,451,017,000) as at 31 August 2020 prepared in accordance with PRC GAAP (such difference in the net asset value shall be referred to as the "**Jiangmen NAV Reduction Value**"); and (ii) the Jiangmen NAV Reduction Value is greater than or equal to RMB5,000,000 (equivalent to approximately HK$5,762,000). The adjustment amount shall be equal to the Jiangmen NAV Reduction Value multiplied by 51% (which represents the 51% equity interest of Jiangmen Yuehai purchased by the Purchaser).

Furthermore, within 5 Business Days from the date of the Jiangmen Acquisition Completion, namely the Sale Loan Transfer Date, the Sale Loan Consideration of RMB306,000,000 (equivalent to approximately HK$352,616,000) shall be payable and settled by the Purchaser to Yuegang Investment. Pursuant to the Jiangmen Equity and Loan Transfer Agreement, the accrued interest on the Outstanding Shareholder's Loan up to the Sale Loan Transfer Date shall be paid by Jiangmen Yuehai to Yuegang Investment on the Sale Loan Transfer Date. Details of which are set out in the paragraph headed "B) The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement" in the Letter from the Board.

Huizhou Acquisition

The Huizhou Acquisition Consideration is RMB273,797,700 (equivalent to approximately HK$315,508,000), subject to adjustment (if any) in accordance with the terms of the Huizhou Equity Transfer Agreement. As stated in the Letter from the Board, the Huizhou Acquisition Consideration was arrived at after arm's length negotiations between the Purchaser and the Huizhou Vendors and after taking into account, among other things, (i) the market value of the Huizhou Land, being the principal asset of the Huizhou Target Group, as at 31 August 2020 of approximately RMB360.8 million (equivalent to approximately HK$415.8 million) according to the Valuation Report; (ii) the adjusted consolidated net asset value of Huiyang Yuehai as at 31 August 2020 in the amount of approximately RMB289.0 million (equivalent to approximately HK$333.0 million) prepared on the basis of the unaudited consolidated management accounts of Huiyang Yuehai as at 31 August 2020 in accordance with HK GAAP, which was adjusted mainly based on the abovementioned value of the Huizhou Land and related deferred tax liabilities arising therefrom (details of the calculations are set out in the sub-section headed "Assessment on the consideration" below); and (iii) the location and development potential of the Huizhou Dayawan Project.

After the date of the Huizhou Acquisition Completion, the Purchaser and the Huizhou Vendors shall jointly appoint an auditor to issue the Huizhou Completion Accounts no later than 60 Business Days, and Huizhou Acquisition Consideration shall be subject to a downward adjustment (if any) in the event that (i) there is a shortfall in the consolidated net asset value of Huiyang Yuehai as shown in the Huizhou Completion Accounts as compared against the audited consolidated net asset value of Huiyang Yuehai of RMB146,430,204 (equivalent to approximately HK$168,737,000) as at 31 August 2020 prepared in accordance with PRC GAAP (such difference in the net asset value shall be referred to as the "**Huizhou NAV Reduction Value**"); and (ii) the Huizhou NAV Reduction Value is greater than or equal to RMB2,500,000 (equivalent to approximately HK$2,881,000). The adjustment amount shall be equal to the Huizhou NAV Reduction Value multiplied by 94.74% (the "**Adjustment Factor**"). As the Huizhou Acquisition Consideration represents a 5.26% discount to the adjusted consolidated net asset value of Huiyang Yuehai as at 31 August 2020, we consider that the Adjustment Factor is reasonably determined.

Assessment on the valuation of the lands

We have reviewed the Valuation Report prepared by Vigers Appraisal and Consulting Limited, an independent valuer, and noted that the fair value of Jiangmen Land and Huizhou Land (together, the **"Properties"**) held by Jiangmen Yuehai and Huizhou Yuehai were approximately RMB1,759.0 million and RMB360.8 million respectively as at 31 August 2020. Set out below is a summary of certain information as extracted from the Valuation Report.

Properties and locations	Owners of properties	Particulars of occupancy	Valuation method	Market value as at 31 August 2020
Jiangmen Land *(East of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong Province, the PRC)*	Jiangmen Yuehai	The property was vacant as at the valuation date	Direct comparison approach	RMB1,759,000,000 (equivalent to approximately HK$2,026,965,000)
Huizhou Land *(Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong Province, the PRC)*	Huizhou Yuehai	The property was vacant as at the valuation date	Direct comparison approach	RMB360,820,000 (equivalent to approximately HK$415,787,000)

Experience of the Valuer

We have (i) interviewed the Valuer as to its expertise and any current or prior relationships with the Company, the Purchaser, Yuegang Investment and GDH (Hui Yang) or any of their respective subsidiaries or associates; (ii) 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) reviewed the relevant track record of the Valuer and qualification of the Valuer; and (iv) 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.

Valuation method and key assumptions

In assessing the fairness and reasonableness of the valuation methodologies and key assumptions adopted by the Valuer in arriving the market value of each of the Jiangmen Land and the Huizhou Land as shown on the above table, we have discussed with the Valuer and was advised that direct comparison approach was used in assessing the fair value of the Properties.

Under direct comparison approach in valuing each of the Properties which are currently vacant as at the valuation date of 31 August 2020, the Valuer has assumed that (i) the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests; and (ii) there is no forced sale situation in any manner. In arriving at the Valuer's opinion of value, the Valuer also made reference to the recent transactions for similar lands in the proximity (please refer to below for the comparables used by the Valuer). Adjustments have been considered for the differences in the accessibility, development status, land shape etc. between the comparable lands 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 valuation of the property.

Moreover, we have discussed with the Valuer on the other methods (including cost approach and income approach) in valuing each of the Properties. As advised by the Valuer, the direct comparison approach was considered as an appropriate methodology in assessing the value of the Properties given the availability of sufficient number of samples in the similar locality for making a meaningful comparison according to the general industry practice, which is considered to be the best indicator of the fair value of the Properties. On the other hand, under the cost approach, the value is established based on the land costs without taking into account the market conditions and is only used when there is no market parameter available. Under the income approach, the value is established based on forecasted cash flow discounted to present value with an appropriate risk-adjusted discount rate, which requires the estimation of future economic benefit, timing of future cash flow and discount rate and therefore are subject to various assumptions and uncertainties. Therefore, we concur with the view of the Valuer that direct comparison approach is appropriate in valuing the Properties.

The Valuer also advised that the valuation of the Properties was carried out 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 Listing Rules issued by the Stock Exchange. 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 valuation of the Properties and the assumptions taken into consideration by the Valuer are appropriate.

Comparables used in the Valuation Reports

Furthermore, we have reviewed and discussed with the Valuer on the market comparables adopted in the direct comparison approach and noted that the market comparables adopted by the Valuer are fair and representative samples. For Jiangmen Land, the selected comparables are residential and commercial lands in Pengjiang District in Jiangmen City which were sold by the PRC Government through online listing-for-sale in 2020. For Huizhou Land, the selected comparables are residential lands in Dayawan District and Huicheng District in Huizhou City which were sold by the PRC Government through online listing-for-sale in 2020.

Adjustments and analysis are considered to account for the differences between the comparable land sites and each of the Properties (including, among others, the accessibility, development status, land shape, availability of supporting facilities and tenure of the lands) to arrive at the market value of each of the Properties. Although the comparable land sites are not identical to the Properties, given the adjustment factors which are commonly adopted in the market for property valuation have been applied to derive the market value of the Properties, we consider that the selection of the comparable transactions is appropriate.

Based on the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Valuer in the valuation are reasonable. Accordingly, the valuation as appraised by the Valuer represents a fair value of the Jiangmen Land and Huizhou Land.

Assessment on the consideration

The net assets value of Jiangmen Yuehai and the Huizhou Target Group as at 31 July 2020 amounted to approximately RMB1,259.2 million and RMB148.6 million respectively (please refer to the audited financial information in Appendix II and Appendix III to the Circular for detailed information respectively). Accordingly, the Company estimated that the adjusted net assets value (the "**Adjusted NAV**") of each of Jiangmen Yuehai and the Huizhou Target Group as below:

	Jiangmen Yuehai		**Huizhou Target Group**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets value as at 31 July 2020 *(Note 1)*		1,259,248		148,563
Change of the net assets value between 1 August 2020 to 31 August 2020 *(Note 2)*		(56)		(173)
Net assets value as at 31 August 2020		1,259,192		148,390
Revaluation adjustments:				
Market value of the lands as appraised by the Valuer as at 31 August 2020	1,759,000		360,820	
Less: Related book value of the lands as at 31 August 2020	(1,736,851)		(60,990)	

	Jiangmen Yuehai		**Huizhou Target Group**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Valuation surplus of the lands as at 31 August 2020		22,149		299,830
Market value of other properties as appraised by the Valuer as at 31 August 2020 *(Note 3)*	—		16,089	
Less: Related book value of other properties as appraised by the Valuer as at 31 August 2020 *(Note 3)*	—		(11,111)	
Valuation surplus of other properties as at 31 August 2020		—		4,978
Less: Estimated deferred tax liabilities *(Note 4)*		(5,534)		(164,208)
Adjusted NAV		1,275,807		288,990
Interest in the Adjusted NAV by the Group *(Note 5)*		650,662		288,990
Equity consideration		**648,180**		**273,798**
Discount of the equity consideration to the interest in the Adjusted NAV by the Group *(Note 6)*		0.38%		5.26%

Notes:

1. *The net assets value of Jiangmen Yuehai and the Huizhou Target Group as at 31 July 2020 of approximately RMB1,259 million and RMB149 million respectively are extracted from their respective audited financial information as at 31 July 2020 (please refer to the audited financial information in Appendix II and Appendix III to the Circular for detailed information respectively).*

2. *For a fair comparison, income earned/expenses incurred by the Target Companies during 1 August 2020 to 31 August 2020 were considered to obtain the net asset value of the Target Companies as at 31 August 2020. As discussed with the management of the Group, the unaudited net book value of Jiangmen Yuehai and the Huizhou Target Group for the period from 1 August 2020 to 31 August 2020 decreased by approximately RMB56,000 and RMB173,000 respectively which was mainly attributable to the general and administrative expenses incurred during August 2020.*

3. *As at 31 August 2020, the Huizhou Target Group held a clubhouse, a kindergarten and certain car-parking spaces for sale, lease and/or self-use. These properties accounted for approximately 5.6% of the Adjusted NAV of the Huizhou Target Group as at 31 August 2020. As advised by the Valuer, direct comparison approach and capitalisation of net rental income (as the case may be) were used in assessing the fair value of these properties depending on the usage of the properties. The Valuer had also made reference to the recent transactions for similar properties in the proximity. We have reviewed relevant comparables used by the Valuer and the related calculations in deriving the fair value of these properties. We consider that the valuation methodology, together with its bases and assumptions, adopted by the Valuer in the valuation are reasonable.*

4. *As there may be potential tax liabilities to be borne by Jiangmen Yuehai and the Huizhou Target Group upon disposal/lease of the appraised properties, in arriving at the Adjusted NAV, the net assets value of Jiangmen Yuehai and the Huizhou Target Group as at 31 August 2020 has been adjusted downwards by the estimated deferred tax liabilities of approximately RMB5.5 million for Jiangmen Yuehai (which represented the estimated deferred corporate income tax) and approximately RMB164.2 million for the Huizhou Target Group (which comprised deferred land appreciation tax of approximately RMB129.9 million and deferred corporate income tax of approximately RMB34.3 million).*

   *As advised by the Company, the estimated deferred land appreciation tax is calculated at an applicable tax rate of 30% or 60% (as the case may be) on the land value appreciation amount (the "**Land Value Appreciation Amount**"), being the excess of the proceeds to be received from the disposal/lease of the appraised properties, estimated based on the market value, over the deductible expenditures, which include land acquisition costs, borrowing costs and development expenditures, pursuant to the relevant PRC regulations on land appreciation tax. Furthermore, as advised by the Company, the Land Value Appreciation Amount of the Jiangmen Land is negative taking into account that the deductible expenditure is greater than the market value of the Jiangmen Land. Accordingly, no deferred land appreciation tax is estimated to be paid by Jiangmen Yuehai.*

   The estimated deferred corporate income tax is calculated at 25.0% (being the applicable tax rate) on the assessable profit generated from the disposal/lease of the appraised properties, estimated based on the proceeds to be received from the disposal/lease of the appraised properties (which in turn is based on estimated market value) less, among others, the development expenditures and the land appreciation tax.

5. *Based on the acquisition of 51% equity interest in Jiangmen Yuehai and 100% equity interest in Huiyang Yuehai pursuant to the Jiangmen Equity and Loan Transfer Agreement and the Huizhou Equity Transfer Agreement respectively.*

6. *Taking into account the 51% principal of the outstanding shareholder's loans owing by Jiangmen Yuehai to Yuegang Investment of RMB255 million as at 31 August 2020, the discount of the total payment to the 51% interest in the Adjusted NAV plus the outstanding shareholder's loans of Jiangmen Yuehai will be approximately 0.27%.*

Having considered that (i) the lands represent the principal assets of each of Jiangmen Yuehai and the Huizhou Target Group respectively and the property valuation surplus in the Jiangmen Land and Huizhou Land of approximately RMB22.1 million and RMB299.8 million respectively with reference to the valuation prepared by the Valuer as at 31 August 2020 have been accounted for in computing the Adjusted NAV; and (ii) it is more meaningful to make reference to the prevailing circumstances of the Acquisitions (i.e. the latest market value of the lands as appraised by the Valuer on 31 August 2020) and do not take into consideration the amount of the original acquisition costs of the lands which are determined based on the then circumstances of the lands and the historical construction costs incurred by Jiangmen Yuehai and the Huizhou Target Group, we consider that it is more indicative to compare the Jiangmen Equity Consideration and the Huizhou Acquisition Consideration to the interest in Adjusted NAV by the Group in the respective company so as to assess the fairness and reasonableness of each of the Jiangmen Equity Consideration and the Huizhou Acquisition Consideration.

In relation to the adjustment on potential tax liabilities of the Target Companies provided by the Company, we understand that such adjustment is necessary as there may be potential tax liabilities to be borne by Jiangmen Yuehai and the Huizhou Target Group if the appraised properties are being disposed/leased in the future. In assessing the estimated potential tax liabilities of Jiangmen Yuehai and the Huizhou Target Group, 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 of the appraised properties and the 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.

Based on the calculation of the Adjusted NAVs as illustrated above, the equity consideration represents a discount of approximately 0.38% and 5.26% to the interest in the Adjusted NAV by the Group in Jiangmen Yuehai and the Huizhou Target Group respectively. As such, we are of the view that each of the Jiangmen Equity Consideration and Huizhou Acquisition Consideration is fair and reasonable.

(iii) Terms of payment

Jiangmen Acquisition

The Jiangmen Equity Consideration for the Jiangmen Sale Equity in the aggregate amount of RMB648,179,553 (equivalent to approximately HK$746,923,000) (subject to adjustment, if any) shall be payable by the Purchaser to Yuegang Investment and settled in cash in two tranches in the following manner:

(a) a sum of RMB194,453,866 (equivalent to approximately HK$224,077,000), namely the Jiangmen First Tranche Payment and representing 30% of the Jiangmen Equity Consideration, shall be payable within 5 Business Days from the Jiangmen Effective Date; and

(b) the remaining balance, namely the Jiangmen Equity Consideration Balance, of the Jiangmen Equity Consideration (after adjustment, if any) and the Jiangmen Equity Consideration Balance Interest (as defined below) shall be payable on the date which is the first anniversary of the Jiangmen Effective Date.

Pursuant to the Jiangmen Equity and Loan Transfer Agreement, the Purchaser shall pay an interest, namely the Jiangmen Equity Consideration Balance Interest, for the amount of the Jiangmen Equity Consideration Balance at a rate of 4.35% per annum (being the benchmark interest rate for one-year loans for financial institutions as at the date of the Jiangmen Equity and Loan Transfer Agreement as stipulated by the People's Bank of China) for the period from the fifth Business Day after the Jiangmen Effective Date to the payment date of the Jiangmen Equity Consideration Balance (both days inclusive).

The obligations of the Purchaser to pay Yuegang Investment (i) the Jiangmen Equity Consideration Balance and (ii) the Jiangmen Equity Consideration Balance Interest shall be guaranteed by Yuehai Technology, an indirect wholly-owned subsidiary of the Company.

The Sale Loan Consideration for the Sale Loan in the amount of RMB306,000,000 (equivalent to approximately HK$352,616,000) shall be payable and settled by the Purchaser to Yuegang Investment at the Sale Loan Transfer Date.

The Jiangmen Acquisition Total Consideration is expected to be funded by the Group's internal resources and/or bank borrowings. It is intended that (i) the Jiangmen First Tranche Payment and the Sale Loan Consideration will be funded by the Group's internal resources, and (ii) the Jiangmen Equity Consideration Balance (and the relevant interests) will be funded mainly by the Group's internal resources, and depending on the then financial position of the Purchaser, by bank borrowings (if needed, the bank borrowings will be negotiated about three months in advance from the payment date of the Jiangmen Equity Consideration Balance).

Huizhou Acquisition

The Huizhou Acquisition Consideration for the Huizhou Sale Equity in the aggregate amount of RMB273,797,700 (equivalent to approximately HK$315,508,000) (subject to adjustment, if any) shall be payable by the Purchaser to GDH (Hui Yang) of RMB219,038,160 (equivalent to approximately HK$252,406,000) and Yuegang Investment of RMB54,759,540 (equivalent to approximately HK$63,102,000), which shall be settled in cash in two tranches in the following manner:

(a) a sum of RMB82,139,310 (equivalent to approximately HK$94,652,000), namely the Huizhou First Tranche Payment and representing 30% of the Huizhou Acquisition Consideration, shall be payable within 5 Business Days from the Huizhou Effective Date, amongst which, RMB65,711,448 (equivalent to approximately HK$75,722,000) shall be payable by the Purchaser to GDH (Hui Yang) and RMB16,427,862 (equivalent to approximately HK$18,930,000) shall be payable by the Purchaser to Yuegang Investment; and

(b) the remaining balance, namely the Huizhou Acquisition Consideration Balance, of the Huizhou Acquisition Consideration (after adjustment, if any) and the Huizhou Acquisition Consideration Balance Interest (as defined below) shall be payable on the date which is the first anniversary of the Huizhou Effective Date.

Pursuant to the Huizhou Equity Transfer Agreement, the Purchaser shall pay an interest, namely the Huizhou Acquisition Consideration Balance Interest, for the amount of the Huizhou Acquisition Consideration Balance at a rate of 4.35% per annum (being the benchmark interest rate for one-year loans for financial institutions as at the date of the Huizhou Equity Transfer Agreement as stipulated by the People's Bank of China) for the period from the fifth Business Day after the Huizhou Effective Date to the payment date of the Huizhou Acquisition Consideration Balance (both days inclusive).

The obligations of the Purchaser to pay the Huizhou Vendors the Huizhou Acquisition Consideration Balance and the Huizhou Acquisition Consideration Balance Interest shall be guaranteed by Yuehai Technology, an indirect wholly-owned subsidiary of the Company.

The Huizhou Acquisition Consideration is expected to be funded by the Group's internal resources and/or bank borrowings. It is intended that (i) the Huizhou First Tranche Payment will be funded by the Group's internal resources, and (ii) the Huizhou Acquisition Consideration Balance (and the relevant interests) will be funded mainly by the Group's internal resources, and depending on the then financial position of the Purchaser, by bank borrowings (if needed, the bank borrowings will be negotiated about three months in advance from the payment date of the Huizhou Acquisition Consideration Balance).

We note that pursuant to the Acquisition Agreements, the Group is not required to pay any deposit and the first tranche of the equity consideration will only be paid to the vendors after the fulfillment or waiver of the conditions precedent as stipulated in the Acquisition Agreements and on or around the time when the application for the regulatory registration of the transfer of the equity interest of the target company is completed. Besides, we noted that the Purchaser is required to pay the Jiangmen Equity Consideration Balance Interest and Huizhou Acquisition Consideration Balance Interest at 4.35% per annum before the settlement of the second tranche of the equity consideration and such interest rates are determined with reference to the benchmark interest rate for one-year loans for financial institutions as at the date of the Acquisition Agreements as stipulated by the People's Bank of China. We have conducted desktop research on the interest rates generally charged by banks in the PRC for issuing one-year loan denominated in RMB. Based on our research, we have, on a best effort basis, reviewed the fee quotations provided by three PRC banks as stated on their websites as at the date of the Acquisition Agreements. We note that the aforementioned interest rate charged by these banks are 4.35% per annum. The Jiangmen Equity Consideration Balance Interest and Huizhou Acquisition Consideration Balance Interest of 4.35% per annum are therefore comparable to those interest rates generally charged by the PRC banks in the market. Besides, as noted from the Annual Report, the weighted average effective interest rate of the Group's bank borrowings as at 31 December 2019 was 5.00% per annum. The Jiangmen Equity Consideration Balance Interest and Huizhou Acquisition Consideration Balance Interest of 4.35% per annum are therefore lower than the average borrowing costs of the Group. Based on the analysis above, we are of the view that the terms of payment are fair and reasonable.

(iv) Conditions precedent

For conditions precedent in relation to the Jiangmen Equity and Loan Transfer Agreement, please refer to the sub-section headed "B) The Jiangmen Acquisition – B.1 The Jiangmen Equity and Loan Transfer Agreement – Conditions precedent" in the Letter from the Board. For conditions precedent in relation to the Huizhou Equity Transfer Agreement, please refer to the sub-section headed "C) The Huizhou Acquisition – C.1 The Huizhou Equity Transfer Agreement – Conditions precedent" in the Letter from the Board.

(v) Completion

After the fulfillment or waiver of the conditions precedent as stipulated in the Acquisition Agreements, GDH (Hui Yang) and Yuegang Investment (as the case may be) shall apply for the change of registration in respect of the transfer of the relevant equity capital of Jiangmen Yuehai and Huiyang Yuehai with the relevant administration for industry and commerce department in the PRC. Completion shall take place when above change of registration is completed. Subject to the terms and conditions of the Acquisition Agreements, the expected dates of the Jiangmen Acquisition Completion and the Huizhou Acquisition Completion will be in February 2021.

Upon completion, (i) Jiangmen Yuehai will become an indirect non-wholly owned subsidiary of the Company; and (ii) Huiyang Yuehai and Huizhou Yuehai will become indirect wholly-owned subsidiaries of the Company.

(vi) Our view

Having considered the above, we are of the view that the terms of the Jiangmen Equity and Loan Transfer Agreement and Huizhou Equity Transfer 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.

E) Possible financial effects of the Acquisitions

As stated in the Letter from the Board, upon completion, Jiangmen Yuehai will become an indirect non-wholly owned subsidiary of the Company and Huiyang Yuehai and Huizhou Yuehai will become indirect wholly-owned subsidiaries of the Company. The financial effects of the Acquisitions on the Group are set out below. It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial performance and financial position of the Group will be upon the completion of the Acquisitions.

(i) Earnings

Following the completion of the Acquisitions, the financial results of the Target Companies will be consolidated into the Group. In view of the future prospects of the property market in Jiangmen City and Huizhou City, the Company anticipated that the Acquisitions will improve the Enlarged Group's trading prospects in the future and contribute positively to the Group's financial performance upon delivery of the properties to customers.

(ii) Net assets value

According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to the Circular, assuming the Acquisitions had taken place on 30 June 2020, (i) total assets would have increased from approximately HK$14,689.7 million to approximately HK$16,417.2 million mainly due to the acquisitions of the Jiangmen Land and the Huizhou Land; and (ii) total liabilities would have increased from approximately HK$8,188.3 million to approximately HK$9,227.3 million mainly due to (a) the acquisition of the Sale Loan and (b) the payables arising from the Jiangmen Equity Consideration Balance and the Huizhou Acquisition Consideration Balance. As a result of the above, the net assets of the Enlarged Group would have increased from approximately HK$6,501.4 million to approximately HK$7,189.8 million assuming the Acquisitions had taken place on 30 June 2020.

(iii) Working capital

According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to the Circular, the cash and cash equivalents would have decreased from approximately HK$2,393.8 million to approximately HK$1,902.5 million assuming the Acquisitions had taken place on 30 June 2020. It should be noted that, pursuant to the Acquisition Agreements, the payments as stipulated under the Jiangmen Equity and Loan Agreement and the Huizhou Equity Transfer Agreement shall be paid in two tranches and will be funded by the internal resources of the Group and/or bank 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.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Acquisitions are 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 resolutions to be proposed at the SGM to approve the Acquisition Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex LAU	**Lincoln LAM**
Managing Director	*Vice President*

Note: Mr. Alex LAU of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2003 and Mr. Lincoln LAM of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2018.

1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019, and the unaudited financial information of the Group for the six months ended 30 June 2020, together with the relevant notes thereto 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 2017 published on 27 April 2018 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804273129.pdf) (pages 45 to 103);
- the Company's annual report for the year ended 31 December 2018 published on 24 April 2019 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn201904241269.pdf) (pages 65 to 139);
- the Company's annual report for the year ended 31 December 2019 published on 23 April 2020 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042301103.pdf) (pages 65 to 137); and
- the Company's interim report for the six months ended 30 June 2020 published on 23 September 2020 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0923/2020092300504.pdf) (pages 19 to 42).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2020, 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$6,449,512,000, comprising (i) secured interest-bearing bank loans of approximately HK$2,669,831,000 (of which HK$908,124,000 was guaranteed by the Company); (ii) unsecured and unguaranteed interest-bearing loans due to Guangdong Holdings and its subsidiaries of approximately HK$3,766,780,000; and (iii) lease liabilities of approximately HK$12,901,000. The aforesaid interest-bearing bank loans were secured by the pledge of certain completed investment properties, investment properties under development, completed properties held for sale, properties held for sale under development and a bank deposit account of the Enlarged Group. As at the close of business on 30 September 2020, the unutilised bank and other loan facilities available to the Enlarged Group amounted to approximately RMB2,397,927,000 (equivalent to approximately HK$2,728,841,000).

As the close of business on 30 September 2020, 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 30 September 2020, the Enlarged Group's outstanding guarantees amounted to approximately HK$893,973,000 for these guarantees.

Save as aforesaid liabilities, the Enlarged Group did not, at the close of business on 30 September 2020, 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 30 September 2020.

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 the next 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 businesses. The Group currently holds certain property projects in Shenzhen City, Guangzhou City, Jiangmen City and Zhuhai City in the PRC.

For the six months ended 30 June 2020, the Group recorded a revenue of HK$1,898 million (six months ended 30 June 2019: HK$464 million), representing an increase of approximately 309.0% from the same period last year. The increase in revenue was mainly attributable to the increase in the sale of gross floor area of properties held for sale. For the six months ended 30 June 2020, the Group recorded a profit attributable to owners of the Company of approximately HK$1,737 million (six months ended 30 June 2019: loss of approximately HK$33.89 million). For the six months ended 30 June 2020, profit attributable to owners of the Company before taking into account of the fair value gains on investment properties and the relevant deferred tax expense was approximately HK$316 million.

The properties developed under the first phase of the GDH City Project (in Shenzhen City), the Laurel House Project (in Yuexiu District, Guangzhou City) and the Ruyingju Project (in Panyu District, Guangzhou City) are the Group's completed properties held for sale. For the six months ended 30 June 2020, the Group's properties recorded a total gross floor area contracted and delivered of approximately 16,000 sq. m. and 29,000 sq. m., respectively. The Group's second phase of the GDH City Project, Chenyuan Road Project (in Pengjiang District, Jiangmen City) and Zhuhai Jinwan Project (in Jinwan District, Zhuhai City) are currently under development and construction and will be benefited from the strong development momentum in the Greater Bay Area. The Group will invest appropriate resources to create and release the value of these projects, and will consider arranging external financing to support the development of these projects.

The Enlarged Group will continue to be engaged in property development and investment businesses. The Board considers that the Acquisitions will enable the Group to strengthen and expand its source of revenue from the property development segment in the Greater Bay Area. Upon the Jiangmen Acquisition Completion, the Group will have two property projects in Jiangmen City with an aggregate gross floor area of more than 560,000 sq. m. (without taking into account the gross floor area of the Jiangmen (No. 6) Land); and upon the Huizhou Acquisition Completion, the Group will expand its footprint into Huizhou City. The Acquisitions are 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 and focus in the Greater Bay Area. The Jiangmen Ganhua Project and the Huizhou Dayawan Project, the two projects to be acquired through the Acquisitions, will enable the Group to enhance its existing portfolio of property projects and to diversify its operating risks.

Under the leadership of the Board, the Group is confident in the prospects of its business development and will continue to actively promote the development of its real estate business in order to generate 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 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

The following is the text of a report set out on pages II-1 to II-2 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF JIANGMEN YUEHAI TO THE DIRECTORS OF GUANGDONG LAND HOLDINGS LIMITED

Introduction

We report on the historical financial information of 江門粵海置地有限公司 ("Jiangmen Yuehai") set out on pages II-3 to II-23, which comprises the balance sheet as at 31 July 2020 and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the period from 23 June 2020 (date of incorporation) to 31 July 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information of Jiangmen Yuehai"). The Historical Financial Information of Jiangmen Yuehai set out on pages II-3 to II-23 forms an integral part of this report, which has been prepared for inclusion in the circular of Guangdong Land Holdings Limited (the "Company") dated 25 November 2020 (the "Circular") in connection with the proposed acquisition of Jiangmen Yuehai by the Company.

Directors' responsibility for the Historical Financial Information of Jiangmen Yuehai

The directors of the Company are responsible for the preparation of Historical Financial Information of Jiangmen Yuehai that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of Jiangmen Yuehai, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information of Jiangmen Yuehai that is free from material misstatement, whether due to fraud or error.

The financial statements of Jiangmen Yuehai for the Track Record Period ("Underlying Financial Statements of Jiangmen Yuehai"), on which the Historical Financial Information of Jiangmen Yuehai is based, were prepared by the directors of Jiangmen Yuehai. The directors of Jiangmen Yuehai are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors of Jiangmen Yuehai determine is necessary to enable the preparation of the Underlying Financial Statements of Jiangmen Yuehai that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Jiangmen Yuehai 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 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 of Jiangmen Yuehai is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of Jiangmen Yuehai. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information of Jiangmen Yuehai, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information of Jiangmen Yuehai that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of Jiangmen Yuehai 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 of Jiangmen Yuehai.

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 of Jiangmen Yuehai gives, for the purposes of the accountant's report, a true and fair view of the financial position of Jiangmen Yuehai as at 31 July 2020 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of Jiangmen Yuehai.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

25 November 2020

I. HISTORICAL FINANCIAL INFORMATION OF JIANGMEN YUEHAI

Preparation of Historical Financial Information of Jiangmen Yuehai

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

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

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

STATEMENT OF COMPREHENSIVE INCOME
For the period from 23 June 2020 (date of incorporation) to 31 July 2020

	Note	**For the period from 23 June 2020 (date of incorporation) to 31 July 2020** *RMB'000*
Selling and marketing expenses		(15)
Administrative expenses		(737)
Operating loss	*4*	(752)
Finance income	*5*	—
Finance costs	*5*	—
Finance costs, net	*5*	—
Loss before tax		(752)
Income tax expense	*6*	—
Loss and total comprehensive loss for the period		(752)

BALANCE SHEET
As at 31 July 2020

	Note	**As at 31 July 2020** *RMB'000*
ASSETS		
Non-current asset		
Property, plant and equipment	*7*	6
Current assets		
Properties held for sale under development	*8*	1,734,768
Other receivables	*9*	338
Cash and cash equivalents	*10*	25,384
Total current assets		1,760,490
Total assets		1,760,496
LIABILITIES		
Current liabilities		
Other payables	*11*	(1,248)
Loan from the immediate holding company	*12*	(500,000)
		(501,248)
Net current assets		1,259,242
Net assets		1,259,248
EQUITY		
Share capital	*13*	1,260,000
Accumulated loss		(752)
Total equity		1,259,248

STATEMENT OF CHANGES IN EQUITY

For the period from 23 June 2020 (date of incorporation) to 31 July 2020

	Share capital	**Accumulated loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 23 June 2020 (date of incorporation)	—	—	—
Capital injection *(Note 13)*	1,260,000	—	1,260,000
Loss and total comprehensive loss for the period	—	(752)	(752)
As at 31 July 2020	1,260,000	(752)	1,259,248

CASH FLOW STATEMENT

For the period from 23 June 2020 (date of incorporation) to 31 July 2020

	Note	For the period from 23 June 2020 (date of incorporation) to 31 July 2020 *RMB'000*
Cash flows from operating activities		
Operating loss before working capital changes		(752)
Increase in properties held for sale under development		(1,734,768)
Increase in other receivables		(338)
Increase in other payables		1,248
Net cash used in operations and net cash flows used in operating activities		(1,734,610)
Cash flows from investing activity		
Purchases of property, plant and equipment		(6)
Net cash flows used in investing activity		(6)
Cash flows from financing activities		
Capital injection		1,260,000
Increase in loan from the immediate holding company		500,000
Net cash flows from financing activities	*14*	1,760,000
Net increase in cash and cash equivalents		25,384
Cash and cash equivalents at beginning of period		—
Cash and cash equivalents at end of period		25,384

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF JIANGMEN YUEHAI

1. General information

江門粵海置地有限公司 ("**Jiangmen Yuehai**") was incorporated in the People's Republic of China (the "**PRC**") on 23 June 2020 with limited liability. The address of its registered office is Flat 401-3 - 406, Block 6, No. 10 Huang Zhuang Da Dao Xi, Peng Jiang District, Jiangmen, Guangdong.

Jiangmen Yuehai is principally engaged in development of properties in the PRC. At the date of incorporation, Jiangmen Yuehai was wholly owned by 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) (the "**Seller**"), which was wholly owned by 廣東粵海控股集團有限公司 (Guangdong Holdings Limited). Both companies incorporated in the PRC.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The directors have given careful consideration of the liquidity requirement for Jiangmen Yuehai's ongoing operations, the performance of Jiangmen Yuehai and available sources of financing in assessing whether Jiangmen Yuehai has sufficient financial resources to continue as a going concern for a period of not less than twelve months from 31 July 2020. The directors have taken into account the following plans and measures in preparing the cash flow projections to ensure Jiangmen Yuehai will have sufficient working capital in the foreseeable future:

(i) obtaining additional banking facilities, as and when necessary, using Jiangmen Yuehai's properties held for sale under development as possible security; and

(ii) additionally, drawdown of funds based on the letters of support from the following parties.

Guangdong Yuegang Investment Development Co., Ltd., the immediate holding company of Jiangmen Yuehai has confirmed their commitment to provide sufficient financial support to Jiangmen Yuehai so as to enable Jiangmen Yuehai to meet all its liabilities and obligations as and when they fall due and to enable Jiangmen Yuehai to continue its business for a duration of the earlier of twelve months after the date of this report if the proposed acquisition of Jiangmen Yuehai by Guangdong Land Holdings Limited (the "Proposed Transaction") is not completed or to the completion date of the Proposed Transaction is completed.

Guangdong Land Holdings Limited, taking into account its internal financial resources available, has also confirmed its commitment to provide sufficient support to Jiangmen Yuehai, after completion of the Proposed Transaction, to meet all its liabilities and obligations as and when they fall due and to enable Jiangmen Yuehai to continue its business from the completion date of the Proposed Transaction up to twelve months thereafter if the Proposed Transaction is completed.

Accordingly, the directors of Jiangmen Yuehai considered it appropriate to prepare the Historical Financial Information of Jiangmen Yuehai on a going concern basis.

The Historical Financial Information of Jiangmen Yuehai has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") under the historical cost convention.

The preparation of Historical Financial Information of Jiangmen Yuehai in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Jiangmen Yuehai's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information of Jiangmen Yuehai are disclosed in Note 3.

New standards and amendments to standards which are not yet effective for this financial period and have not been early adopted

Jiangmen Yuehai has not early adopted the following new standards and amendments to standards that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	*Classification of liabilities as current or non-current*	1 January 2022
Amendments to HKFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 37	*Cost of Fulfilling a Contract*	1 January 2022
Amendments to HKAS 16	*Proceeds before Intended Use*	1 January 2022
Annual improvements 2018-2020 cycle	*HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41*	1 January 2022
HKFRS 17	*Insurance Contracts*	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	*Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	To be determined

Jiangmen Yuehai has already commenced an assessment of the impact of these new standards and amendments to standards. These are not expected to result in substantial impact to Jiangmen Yuehai.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of Jiangmen Yuehai are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Historical Financial Information of Jiangmen Yuehai are presented in RMB, which is Jiangmen Yuehai's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period/year end exchange rates are generally recognised in the profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "other gains/(losses), net".

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Jiangmen Yuehai and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer equipment 18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

(d) Properties held for sale under development

Properties held for sale under development are investments in land and buildings on which construction work and development have not been completed, and are stated at the lower of cost and net realisable value. Borrowing costs incurred during the construction period and up to the date of completion of construction are capitalised as development costs. Net realisable value represents the estimated selling price less estimated costs of completion and estimated selling expenses. Properties held for sale under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. On completion, the properties are reclassified to completed properties held for sale at the then carrying amount.

(e) Financial assets

(i) Classification

Jiangmen Yuehai classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

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

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

Jiangmen Yuehai reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, Jiangmen Yuehai measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on Jiangmen Yuehai's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(iv) Impairment

Jiangmen Yuehai has two types of financial assets that are subject to HKFRS 9's expected credit loss model:

- other receivables; and
- cash and cash equivalents

Jiangmen Yuehai assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Jiangmen Yuehai or the counterparty.

(f) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts, if any are shown within borrowings in current liabilities.

(g) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(i) Current and deferred income tax

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where Jiangmen Yuehai operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Share capital

Registered capital is classified as equity.

(k) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

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

All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

3. Critical accounting estimates and judgements

Jiangmen Yuehai makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision of impairment for properties held for sale under development

Jiangmen Yuehai assesses the carrying amounts of properties held for sale under development according to their recoverable amounts based on an estimation of the net realisable value of the underlying properties, taking into account estimated costs to completion based on past experience and committed contracts and expected future sales price based on prevailing market conditions. If the carrying amounts of the underlying stock of properties fluctuate from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties held for sale under development may result. The assessment requires the use of judgement and estimates.

4. Operating loss

Jiangmen Yuehai's operating loss is arrived at after charging/(crediting):

	For the period from 23 June 2020 (date of incorporation) to 31 July 2020 *RMB'000*
Other tax charges	734
Staff costs	
— wages and salaries	106
— benefits and allowances	31
— provident fund contributions	12
	149
Less: Amount capitalised under properties held for sale under development	(134)
Total staff costs expensed during the period	15

5. Finance income/(costs)

	For the period from 23 June 2020 (date of incorporation) to 31 July 2020 *RMB'000*
Finance costs	
— Interest expenses on a loan from the immediate holding company	(791)
Finance income	317
	(474)
Less: Amount capitalised under properties held for sale under development	474
Total finance costs expensed during the period	—

The capitalised interest rate applied to fund borrowed and used for the development of properties is 4.75% per annum.

6. Income tax

No provision for the PRC corporate income tax was made in the Historical Financial Information of Jiangmen Yuehai as Jiangmen Yuehai had no estimated assessable profit for the Track Record Period.

Reconciliation between tax expenses and accounting loss at applicable tax rates:

	For the period from 23 June 2020 (date of incorporation) to 31 July 2020 *RMB'000*
Loss before taxation	(752)
Tax at the statutory tax rate of 25%	(188)
Tax loss not recognised	188
Income tax expense	—

Jiangmen Yuehai has tax loss arising in the PRC of RMB188,000 that will expire in five years for offsetting against future taxable profits. Deferred tax asset has not been recognised in respect of this loss as the directors considered it is not considered probable that sufficient taxable profits will be available against which the tax loss can be utilised.

7. Property, plant and equipment

	Computer equipment *RMB'000*
Cost	
At 23 June 2020 (date of incorporation)	—
Additions	6
At 31 July 2020	6
Accumulated depreciation	
At 23 June 2020 (date of incorporation)	—
Charge for the period	—
At 31 July 2020	—
Net book value at 31 July 2020	6

8. Properties held for sale under development

	As at 31 July 2020 *RMB'000*
Properties held for sale under development expected to be completed and delivered:	
— Within a normal operating cycle included under current assets	1,734,768
Amounts comprise:	
— Land premium	1,734,160
— Staff costs capitalised	134
— Finance cost capitalised	474
	1,734,768

The normal operating cycle of Jiangmen Yuehai's property development generally ranges from two to three years.

At the end of the reporting period, properties under development of RMB1,734,768,000 were not scheduled for completion within twelve months.

9. Other receivables

	As at 31 July 2020 *RMB'000*
Interest receivable	317
Others	21
	338

The carrying amount of other receivables are denominated in RMB. None of the above assets is past due as at 31 July 2020.

The credit risk of interest receivable is low as the counterparty was wholly owned by Guangdong Holdings Limited with a strong financial position. With no significant increase in credit risk as at 31 July 2020, the expected credit loss was considered as immaterial to Jiangmen Yuehai.

10. Cash and cash equivalents

The balances are denominated in RMB. RMB is 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, Jiangmen Yuehai is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of cash and cash equivalents approximate their fair values because of their immediate or short-term maturities.

RMB 3 million has been deposited with 粵海集團財務有限公司, a fellow subsidiary which is an authorised financial institution in the PRC as at 31 July 2020. The balance is unsecured, interest bearing at interest rate of 1.75% per annum and repayable on demand.

11. Other payables

	As at 31 July 2020 *RMB'000*
Interest payable for loan from the immediate holding company	791
Other payables and accruals	457
	1,248

The carrying amounts of other payables approximate their fair values because of their immediate or short-term maturity. The other payables are denominated in RMB. None of the above liabilities is past due as at 31 July 2020.

12. Loan from the immediate holding company

The loan from the immediate holding company is unsecured, interest bearing at interest rate of 4.75% per annum and repayable within five years but under repayable on demand clause.

With the repayable on demand clause, the balance has been classified as a current liability.

13. Share capital

	RMB'000
Registered capital	
As at 23 June 2020 (date of incorporation)	—
Capital injection	1,260,000
As at 31 July 2020	1,260,000

Jiangmen Yuehai was incorporated in the PRC.

14. Reconciliation of liabilities arising from financing activities

	Loan from the immediate holding company *RMB'000*
As at 23 June 2020 (date of incorporation)	—
Cash flows	500,000
As at 31 July 2020	500,000

15. Significant related party transactions

(a) In addition to the transactions and balances detailed elsewhere in this Historical Financial Information of Jiangmen Yuehai, Jiangmen Yuehai had the following related party transactions during the period:

	Note	**For the period from 23 June 2020 (date of incorporation) to 31 July 2020** *RMB'000*
Interest income receivable from a fellow subsidiary	*(i)*	317
Interest expenses payable to the immediate holding company	*(ii)*	(791)

Note:

(i) The interest income was charged at 1.75% in accordance with the terms of agreement entered into between Jiangmen Yuehai and the fellow subsidiary.

(ii) The interest expenses was charged at effective interest rate of 4.75% in accordance with the terms of agreement entered into between Jiangmen Yuehai and the immediate holding company.

(b) Outstanding balance with related parties

		As at **31 July 2020**
	Note	*RMB'000*
Deposit with a fellow subsidiary	*10*	3,000
Interest receivable from a fellow subsidiary	*(i)*	317
Loan from the immediate holding company	*(ii)*	(500,000)
Interest payable to the immediate holding company	*(ii)*	(791)

Note:

(i) The interest income was charged at 1.75% in accordance with the terms of agreement entered into between Jiangmen Yuehai and the fellow subsidiary.

(ii) The loan from the immediate holding company is unsecured, interest bearing at interest rate of 4.75% per annum and repayable within five years.

16. Commitments

(a) Capital commitments

As at 31 July 2020, there were no capital commitments.

(b) Non-cancellable operating commitment

Minimum lease payment under a non-cancellable operating lease of investment property not recognised in the financial statements is receivable as follows:

	As at **31 July 2020**
	RMB'000
Within 1 year	127

From 23 June 2020 (date of incorporation), Jiangmen Yuehai should recognise right-of-use assets for leases, except for short-term and low-value leases. The commitment as at 31 July 2020 represented the future aggregate lease payment under short-term lease.

17. Contingent liabilities

As at 31 July 2020, there were no contingent liabilities.

18. Segment reporting

No segmental information for the period from 23 June 2020 (date of incorporation) to 31 July 2020 is presented as Jiangmen Yuehai's operating result for the period was generated solely from its property development operation in the PRC.

19. Benefits and interests of directors

Directors' emoluments

For the period from 23 June 2020 (date of incorporation) to 31 July 2020, no emoluments were paid to or receivable by Jiangmen Yuehai's directors in respect of their services to Jiangmen Yuehai.

(a) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of Jiangmen Yuehai or other services in connection with the management of the affairs of Jiangmen Yuehai undertaking.

(b) Directors' termination benefits

During the period, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(c) Consideration provided to third parties for making available directors' services

During the period, no consideration was provided to or receivable by third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the period, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to Jiangmen Yuehai's business to which Jiangmen Yuehai was a party and in which a director of Jiangmen Yuehai had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

20. Financial risk management

Jiangmen Yuehai's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Jiangmen Yuehai's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Jiangmen Yuehai's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Interest rate risk

Jiangmen Yuehai is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Jiangmen Yuehai's interest bearing assets mainly include deposits at bank. Jiangmen Yuehai's borrowings if issued at fixed rates will expose Jiangmen Yuehai to fair value interest rate risk. Jiangmen Yuehai has no financial liabilities which are carried at variable interest rate.

At the end of the reporting period, if interest rates had been increased or decreased by 50 basis points and all other variables were held constant, the pre-tax profit of Jiangmen Yuehai would have increased or decreased by approximately RMB127,000 resulting from the change in interest income on bank deposits.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to Jiangmen Yuehai. The credit risk of Jiangmen Yuehai's financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with the maximum exposure equal to the carrying amounts of these instruments.

Other receivables

For the other receivables from third parties and related parties, which mainly comprise of the interest receivable, the counterparties primarily have strong financial position and management considers the credit risk is not high. Jiangmen Yuehai maintains frequent communications with these counterparties and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

To assess whether there is a significant increase in credit risk, Jiangmen Yuehai compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) Jiangmen Yuehai, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the lender would not otherwise consider;

(iv) it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from other receivables since the initial recognition of those assets, although the decrease cannot yet be identified with the individual other receivables in the portfolio;

(vi) adverse changes in the payment status of debtors; and

(vii) national or local economic conditions that correlate with defaults on other receivables.

Jiangmen Yuehai reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, Jiangmen Yuehai accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rate, Jiangmen Yuehai considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As at 31 July 2020, management consider other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. Jiangmen Yuehai assessed that the expected credit losses for these receivables are immaterial.

Cash and cash equivalents

As at 31 July 2020, management consider cash and cash equivalents as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The identified impairment loss of cash and cash equivalents was immaterial.

(c) Liquidity risk

Jiangmen Yuehai monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g. other receivables) and projected cash flows from operations. Jiangmen Yuehai's objective is to maintain a balance between continuity of funding and flexibility.

Management of Jiangmen Yuehai has carried out a detailed review of the cash flow forecast of Jiangmen Yuehai for the next twelve months from the end of the reporting period. Based on this forecast, the directors of Jiangmen Yuehai have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of Jiangmen Yuehai during the forecast period. In preparing the cash flow forecast, the directors of Jiangmen Yuehai have considered cash requirements of Jiangmen Yuehai as well as other key factors, including the availability of loans financing, as described in Note 2(a), which may impact the operations of Jiangmen Yuehai prior to the end of the next twelve months after the end of the reporting period. The directors of Jiangmen Yuehai are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The maturity profile of Jiangmen Yuehai's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments without taking into consideration repayable on demand clause, was as follows:

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at 31 July 2020					
Financial liabilities included in other payables	143	—	—	—	143
Loan from the immediate holding company	23,750	23,750	569,884	—	617,384
	23,893	23,750	569,884	—	617,527

(d) Fair value estimation

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Jiangmen Yuehai for similar financial instruments.

The carrying amounts of other receivables, cash and cash equivalents, and other payables are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

(e) Capital management

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

Jiangmen Yuehai manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Jiangmen Yuehai may issue new shares or obtain financing from group companies. Jiangmen Yuehai is not subject to any externally imposed capital requirements.

Jiangmen Yuehai monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt is calculated as total debt, which includes current and non-current borrowings, less cash and cash equivalents. The gearing ratio as at the end of the reporting period was as follows:

	As at 31 July 2020 *RMB'000*
Loan from the immediate holding company	500,000
Less: Cash and cash equivalents	(25,384)
Net debt	474,616
Total equity	1,259,248
Gearing ratio	37.7%

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Jiangment Yuehai in respect of any period subsequent to 31 July 2020 and up to the date of this report. No dividend or distribution has been declared or made by Jiangmen Yuehai in respect of any period subsequent to 31 July 2020.

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

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE HUIZHOU TARGET GROUP TO THE DIRECTORS OF GUANGDONG LAND HOLDINGS LIMITED

Introduction

We report on the historical financial information of 惠陽粵海房產發展有限公司 ("Huiyang Yuehai") and its subsidiary (together, the "Huizhou Target Group") set out on pages III-4 to III-40, which comprises the balance sheets of Huiyang Yuehai as at 31 December 2017, 2018 and 2019 and 31 July 2020, the consolidated balance sheets as at 31 December 2017, 2018 and 2019 and 31 July 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information of the Huizhou Target Group"). The Historical Financial Information of the Huizhou Target Group set out on pages III-4 to III-40 forms an integral part of this report, which has been prepared for inclusion in the circular of Guangdong Land Holdings Limited (the "Company") dated 25 November 2020 (the "Circular") in connection with the proposed acquisition of Huiyang Yuehai by the Company.

Directors' responsibility for the Historical Financial Information of the Huizhou Target Group

The directors of the Company are responsible for the preparation of Historical Financial Information of the Huizhou Target Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Huizhou Target Group , and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information of the Huizhou Target Group that is free from material misstatement, whether due to fraud or error.

The financial statements of the Huizhou Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information of the Huizhou Target Group is based, were prepared by the directors of Huiyang Yuehai. The directors of Huiyang Yuehai are responsible for the preparation of the Underlying Financial Statements that gives a true and fair value in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information of the Huizhou Target Group 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 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 of the Huizhou Target Group is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of the Huizhou Target Group. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information of the Huizhou Target Group, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information of the Huizhou Target Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Huizhou Target Group 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 of the Huizhou Target Group.

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 of the Huizhou Target Group gives, for the purposes of the accountant's report, a true and fair view of the financial position of Huiyang Yuehai as at 31 December 2017, 2018 and 2019 and 31 July 2020 and the consolidated financial position of the Huizhou Target Group as at 31 December 2017, 2018 and 2019 and 31 July 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Huizhou Target Group .

Review of stub period comparative financial information of the Huizhou Target Group

We have reviewed the stub period comparative financial information of the Huizhou Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the seven months ended 31 July 2019 and other explanatory information (the "Stub Period Comparative Financial Information of the Huizhou Target Group"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information of the Huizhou Target Group in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Huizhou Target Group. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information of the Huizhou Target Group based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information of the Huizhou Target Group, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Huizhou Target Group.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

25 November 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE HUIZHOU TARGET GROUP

Preparation of Historical Financial Information of the Huizhou Target Group

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

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020

		Year ended 31 December			Seven months ended 31 July	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*4*	5,231	4,557	3,905	2,012	985
Cost of sales		(2,282)	(1,874)	(1,655)	(728)	(516)
Gross profit		2,949	2,683	2,250	1,284	469
Other losses, net		—	(29)	—	—	(193)
Fair value (losses)/gains on investment properties	*9*	(36)	1,782	(215)	—	67
Selling and marketing expenses		(248)	(207)	(116)	(127)	(92)
Administrative expenses		(1,654)	(3,185)	(3,960)	(1,581)	(2,106)
Operating profit/(loss)	*5*	1,011	1,044	(2,041)	(424)	(1,855)
Finance income		124	149	179	61	780
Profit/(loss) before tax		1,135	1,193	(1,862)	(363)	(1,075)
Income tax expense	*6*	(869)	(1,290)	(677)	(375)	(218)
Profit/(loss) and total comprehensive income/(loss) for the year/period		266	(97)	(2,539)	(738)	(1,293)

CONSOLIDATED BALANCE SHEETS
As at 31 December 2017, 2018 and 2019 and 31 July 2020

		As at 31 December			As at 31 July
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*8*	266	224	524	487
Investment properties	*9*	4,913	6,695	6,480	6,547
Total non-current assets		5,179	6,919	7,004	7,034
Current assets					
Completed properties held for sale	*10*	8,125	6,273	4,733	4,398
Properties held for sale under development	*10*	57,228	59,315	60,847	60,974
Amounts due from fellow subsidiaries	*11*	73,325	56,883	—	139
Other deposits and receivables	*11*	367	404	700	459
Cash and cash equivalents	*12*	13,787	10,613	81,245	79,876
Total current assets		152,832	133,488	147,525	145,846
Total assets		158,011	140,407	154,529	152,880
LIABILITIES					
Current liabilities					
Other payables, accruals and provisions	*13*	(2,499)	(1,122)	(1,479)	(1,005)
Dividend payable		—	(65,783)	—	—
Tax payable		(2,797)	(2,730)	(2,686)	(2,773)
Total current liabilities		(5,296)	(69,635)	(4,165)	(3,778)
Net current assets		147,536	63,853	143,360	142,068
Total assets less current liabilities		152,715	70,772	150,364	149,102

		As at 31 December			As at 31 July
		2017	**2018**	**2019**	**2020**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liability					
Deferred tax liabilities	*14*	(223)	(606)	(508)	(539)
Total liabilities		(5,519)	(70,241)	(4,673)	(4,317)
Net assets		152,492	70,166	149,856	148,563
EQUITY					
Share capital	*15*	49,782	49,782	132,011	132,011
Reserves	*16*	102,710	20,384	17,845	16,552
Total equity		152,492	70,166	149,856	148,563

BALANCE SHEETS OF HUIYANG YUEHAI
As at 31 December 2017, 2018 and 2019 and 31 July 2020

		As at 31 December			As at 31 July
		2017	**2018**	**2019**	**2020**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*8*	249	197	179	169
Investment properties	*9*	4,913	6,695	6,480	6,547
Investment in a subsidiary	*24*	8,000	8,000	88,000	88,000
Total non-current assets		13,162	14,892	94,659	94,716
Current assets					
Completed properties held for sale	*10*	8,125	6,273	4,733	4,398
Amounts due from fellow subsidiaries	*11*	73,325	56,879	—	132
Amount due from a subsidiary	*11*	63,494	67,535	72,985	—
Other deposits and receivables	*11*	335	324	463	188
Cash and cash equivalents	*12*	12,958	10,267	1,027	74,882
Total current assets		158,237	141,278	79,208	79,600
Total assets		171,399	156,170	173,867	174,316
LIABILITIES					
Current liabilities					
Other payables, accruals and provisions	*13*	(2,170)	(322)	(419)	(268)
Dividend payable		—	(65,783)	—	—
Tax payable		(2,552)	(2,483)	(2,678)	(2,765)
Total current liabilities		(4,722)	(68,588)	(3,097)	(3,033)
Net current assets		153,515	72,690	76,111	76,567
Total assets less current liabilities		166,677	87,582	170,770	171,283

		As at 31 December			As at 31 July
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liability					
Deferred tax liabilities	*14*	(223)	(606)	(508)	(539)
Total liabilities		(4,945)	(69,194)	(3,605)	(3,572)
Net assets		166,454	86,976	170,262	170,744
EQUITY					
Share capital	*15*	49,782	49,782	132,011	132,011
Reserves	*16*	116,672	37,194	38,251	38,733
Total equity		166,454	86,976	170,262	170,744

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020

	Share capital *RMB'000*	Capital reserve *RMB'000*	Reserve funds *RMB'000*	Revaluation reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*
As at 1 January 2017	49,782	25,218	8,956	1,761	66,509	152,226
Profit and total comprehensive income for the year	—	—	—	—	266	266
Transfer to reserve funds	—	—	181	—	(181)	—
As at 31 December 2017	49,782	25,218	9,137	1,761	66,594	152,492
As at 1 January 2018	49,782	25,218	9,137	1,761	66,594	152,492
Loss and total comprehensive loss for the year	—	—	—	—	(97)	(97)
Transaction with owner:						
Dividends *(Note 7)*	—	—	—	—	(82,229)	(82,229)
Transfer to reserve funds	—	—	177	—	(177)	—
As at 31 December 2018	49,782	25,218	9,314	1,761	(15,909)	70,166
As at 1 January 2019	49,782	25,218	9,314	1,761	(15,909)	70,166
Capital injection *(Note 15)*	82,229	—	—	—	—	82,229
Loss and total comprehensive loss for the year	—	—	—	—	(2,539)	(2,539)
Transfer to reserve funds	—	—	1	—	(1)	—
As at 31 December 2019	132,011	25,218	9,315	1,761	(18,449)	149,856
As at 1 January 2020	132,011	25,218	9,315	1,761	(18,449)	149,856
Loss and total comprehensive loss for the period	—	—	—	—	(1,293)	(1,293)
As at 31 July 2020	132,011	25,218	9,315	1,761	(19,742)	148,563
(Unaudited)						
As at 1 January 2019	49,782	25,218	9,314	1,761	(15,909)	70,166
Loss and total comprehensive loss for the period	—	—	—	—	(738)	(738)
As at 31 July 2019	49,782	25,218	9,314	1,761	(16,647)	69,428

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash flows from operating activities					
Profit/(loss) before tax	1,135	1,193	(1,862)	(363)	(1,075)
Adjustments for:					
Depreciation of property, plant and equipment	21	25	42	16	37
Finance income	(124)	(149)	(179)	(61)	(780)
Fair value loss/(gain) on investment properties	36	(1,782)	215	—	(67)
Write-off of property, plant and equipment	—	29	—	—	—
Operating profit/(loss) before working capital changes	1,068	(684)	(1,784)	(408)	(1,885)
Decrease in completed properties held for sale	2,282	1,852	1,540	718	335
Increase in properties held for sale under development	(189)	(2,087)	(1,532)	(623)	(127)
Decrease/(increase) in amounts due from fellow subsidiaries	88	16,442	56,883	4	(139)
(Increase)/decrease in other deposits and receivables	(50)	(37)	(296)	(304)	241
Increase/(decrease) in other payables, accruals and provisions	256	(1,377)	357	(234)	(474)
Net cash generated from/(used in) operations	3,455	14,109	55,168	(847)	(2,049)
Interest received	124	149	179	61	780
Tax paid	(626)	(974)	(819)	(668)	(100)
Net cash flows from/(used in) operating activities	2,953	13,284	54,528	(1,454)	(1,369)

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment	—	3	—	—	—
Purchases of property, plant and equipment	(17)	(15)	(342)	(342)	—
Net cash flows used in investing activities	(17)	(12)	(342)	(342)	—
Cash flows from financing activities					
Capital injection	—	—	16,446	—	—
Dividend paid	—	(16,446)	—	—	—
Net cash flows (used in)/from financing activities (Note 17)	—	(16,446)	16,446	—	—
Net increase/ (decrease) in cash and cash equivalents	2,936	(3,174)	70,632	(1,796)	(1,369)
Cash and cash equivalents at beginning of year/period	10,851	13,787	10,613	10,613	81,245
Cash and cash equivalents at end of year/period	13,787	10,613	81,245	8,817	79,876

Significant non-cash transaction:

During the year ended 31 December 2019, the dividend payable of RMB65,783,000 was settled through the capital injection.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE HUIZHOU TARGET GROUP

1. General information

惠陽粵海房產發展有限公司 ("**Huiyang Yuehai**") was incorporated in the People's Republic of China (the "PRC") on 18 January 1993 with limited liability. The address of its registered office is Cao Yang Cun, Dan Shui Zhen, Huiyang District, Huizhou Shi, Guangdong.

Huiyang Yuehai and its subsidiary are principally engaged in property development and investment in the PRC. The particulars of the subsidiary are set out in Note 24. At the date of incorporation, Huiyang Yuehai was 80% owned by 粵海房地產開發(惠陽)有限公司 (GDH Real Estates (Hui Yang) Limited) and 20% owned by 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) (together, the "**Sellers**").

GDH Real Estates (Hui Yang) Limited, Guangdong Yuegang Investment Development Co., Ltd., and 廣東粵海控股集團有限公司 (Guangdong Holdings Limited), the ultimate holding company, were incorporated in the PRC.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information of the Huizhou Target Group are set out below. These policies have been consistently applied to the years/periods presented, unless otherwise stated, as modified by the revaluation of investment properties which are carried at fair value.

(a) Basis of preparation

The directors have given careful consideration of the liquidity requirement for the Huizhou Target Group's ongoing operations, the performance of the Huizhou Target Group and available sources of financing in assessing whether the Huizhou Target Group has sufficient financial resources to continue as a going concern for a period of not less than twelve months from 31 July 2020. The directors have taken into account the following plans and measures in preparing the cash flow projections to ensure the Huizhou Target Group will have sufficient working capital in the foreseeable future:

(i) obtaining additional banking facilities, as and when necessary, using the Huizhou Target Group's properties held for sale under development or the unpledged properties as possible security; and

(ii) additionally, drawdown of funds based on the letters of support from the following parties.

GDH Real Estates (Hui Yang) Limited and Guangdong Yuegang Investment Development Co., Ltd., the holding companies of the Huizhou Target Group has confirmed their commitment to provide sufficient financial support to the Huizhou Target Group so as to enable the Huizhou Target Group to meet all its liabilities and obligations as and when they fall due and to enable the Huizhou Target Group to continue its business for a duration of the earlier of twelve months after the date of this report if the proposed acquisition of Huiyang Yuehai by Guangdong Land Holdings Limited (the "**Proposed Transaction**") is not completed or to the completion date of the Proposed Transaction is completed.

Guangdong Land Holdings Limited, taking into account its internal financial resources available, has also confirmed its commitment to provide sufficient support to the Huizhou Target Group, after completion of the Proposed Transaction, to meet all its liabilities and obligations as and when they fall due and to enable the Huizhou Target Group to continue its business from the completion date of the Proposed Transaction up to twelve months thereafter if the Proposed Transaction is completed.

Accordingly, the directors of the Huizhou Target Group considered it appropriate to prepare the Historical Financial Information of the Huizhou Target Group on a going concern basis.

The Historical Financial Information of the Huizhou Target Group has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of Historical Financial Information of the Huizhou Target Group in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Huizhou Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information of the Huizhou Target Group are disclosed in Note 3.

*(i) Early adoption of Amendment to Hong Kong Financial Reporting Standard 16 on COVID-19-Related Rent Concessions ("**Amendments to HKFRS 16**")*

Amendment to HKFRS 16 as issued by the HKICPA is effective for the financial year beginning or after 1 June 2020.

The Huizhou Target Group has elected to early adopt Amendment to HKFRS 16 for the seven months ended 31 July 2020 because the new amendment to standard provides lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. The early adoption did not have significant impact on the Huizhou Target Group's financial statements.

(ii) New standards and amendments to standards which are not yet effective for this financial period and have not been early adopted

The Huizhou Target Group has not early adopted the following new standards and amendments to standards that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	*Classification of liabilities as current or non-current*	1 January 2022
Amendments to HKFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 37	*Cost of Fulfilling a Contract*	1 January 2022
Amendments to HKAS 16	*Proceeds before Intended Use*	1 January 2022
Annual improvements 2018-2020 cycle	*HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41*	1 January 2022
HKFRS 17	*Insurance Contracts*	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	*Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	To be determined

The Huizhou Target Group has already commenced an assessment of the impact of these new standards and amendments to standards. These are not expected to result in substantial impact to the Huizhou Target Group.

(b) Consolidation

(i) Subsidiaries

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

(ii) Separate financial statements

Investment in subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The result of subsidiary is accounted for by Huiyang Yuehai on the basis of dividend received and receivable.

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of the Huizhou Target Group are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Historical Financial Information of the Huizhou Target Group are presented in RMB, which is the Huizhou Target Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period/year end exchange rates are generally recognised in the profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "other gains/(losses), net".

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Huizhou Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	4.5% — 9.5%
Motor vehicles	18.0%
Office equipment	18.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

(e) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both and is not occupied by the Huizhou Target Group or for sale in the ordinary course of business. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured initially at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open market value determined at each balance sheet date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Huizhou Target Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair value are recognised in the statement of comprehensive income.

(f) Properties held for sale under development and completed properties held for sale

Properties held for sale under development are investments in land and buildings on which construction work and development have not been completed and are stated at the lower of cost and net realisable value. Borrowing costs incurred during the construction period and up to the date of completion of construction are capitalised as development costs. Net realisable value represents the estimated selling price less estimated costs of completion and estimated selling expenses. Properties held for sale under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. On completion, the properties are reclassified to completed properties held for sale at the then carrying amount.

Completed properties held for sale are stated at the lower of cost and estimated net realisable value. In respect of unsold properties, cost is determined by apportionment of the total land and development costs, other direct expenses and where applicable borrowing costs attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates of anticipated sale proceeds based on prevailing market conditions.

(g) Financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, the Huizhou Target Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Huizhou Target Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(iv) Impairment

The Huizhou Target Group has these types of financial assets that are subject to HKFRS 9's expected credit loss model:

- amounts due from fellow subsidiaries;
- other deposits and receivables; and
- cash and cash equivalents

The Huizhou Target Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(v) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(h) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts, if any are shown within borrowings in current liabilities.

(i) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(k) Current and deferred income tax

The tax expense for the years/period comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(i) Current income tax

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

(ii) Deferred income tax

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Share capital

Registered capital is classified as equity.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

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

All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

(n) Revenue recognition

Sales of properties

Revenue is recognised as or when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. If properties have no alternative use to the Huizhou Target Group contractually and the Huizhou Target Group has an enforceable right to payment from the customers for performance completed to date, the Huizhou Target Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the Huizhou Target Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Huizhou Target Group has present right to payment and the collection of the consideration is probable.

The Huizhou Target Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Huizhou Target Group does not adjust any of the transaction prices for the time value of money.

Rental income

Rental income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

(o) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Huizhou Target Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Huizhou Target Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract assets, if the Huizhou Target Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Huizhou Target Group recognises an impairment loss in the consolidated statement of comprehensive income to the extent that the carrying amount of the contract assets recognised exceeds the remaining amounts of consideration that the Huizhou Target Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Huizhou Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(q) Dividend distribution

Dividend distribution to the Huizhou Target Group's shareholders is recognised as a liability in the Huizhou Target Group's financial statements in the period in which the dividends are approved by the Huizhou Target Group's shareholders or directors, where appropriate.

3. Critical accounting estimates and judgements

The Huizhou Target Group makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates

(i) Estimate of fair value of investment properties

The fair value of each completed investment property is individually measured at each balance sheet date by independent professional valuers based on a market value assessment. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. The valuers have relied on the income capitalisation method or the market approach. The fair value derived from income capitalisation approach is based upon estimates of future results and a set of assumptions specific to each property to reflect its cashflow profile, while the direct comparison approach considers the recent prices of similar properties with adjustments to reflect the difference in characteristics of the properties.

Details of the estimates and assumptions have been disclosed in Note 9.

(ii) Provision of impairment for properties held for sale under development and completed properties held for sale

The Huizhou Target Group assesses the carrying amounts of properties held for sale under development and completed properties held for sale according to their recoverable amounts based on an estimation of the net realisable value of the underlying properties, taking into account estimated costs to completion based on past experience and committed contracts and expected future sales price based on prevailing market conditions. If the carrying amounts of the underlying stock of properties fluctuate from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties held for sale under development and completed properties held for sale may result. The assessment requires the use of judgement and estimates.

(iii) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Huizhou Target Group is subject to land appreciation taxes and withholding tax on capital gains in the PRC. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Huizhou Target Group recognised these land appreciation taxes and withholding tax on capital gains based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers whether tax authorities would agree on the deductible temporary difference and whether it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Critical judgement in applying the Huizhou Target Group's accounting policies

Distinction between investment properties and properties held for sale

The Huizhou Target Group determines whether a property qualifies as an investment property or property held for sale. In making the judgement, the Huizhou Target Group considers the intention of holding the property (land or building). Property held to earn rental or for capital appreciation is considered as investment property whereas property held for sale in the ordinary course of business is considered as property held for sale. The Huizhou Target Group considers each property separately in making its judgement.

4. Revenue

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
From contract with customers:					
Sales of properties recognised at a point in time	4,449	3,604	2,986	1,466	653
From other sources:					
Rental income	782	953	919	546	332
	5,231	4,557	3,905	2,012	985

5. Operating profit/(loss)

The Huizhou Target Group's operating profit/(loss) is arrived at after charging:

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales	2,282	1,874	1,655	728	516
Depreciation of property, plant and equipment	21	25	42	16	37
Other tax charges	745	369	385	72	113
Auditor's remuneration	46	28	64	28	117
Staff costs					
— Wages and salaries	331	1,296	2,208	613	1,062
— Provident fund contributions	28	95	155	83	105
— Other benefits	55	216	406	191	167
Total staff costs expensed during the year/period	414	1,607	2,769	887	1,334

6. Income tax

PRC corporate income tax has been provided at the rate of 25% on the estimated assessable profits for the Track Record Period. 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 progressive rates ranging from 30% to 60% on the appreciation values, with certain allowable deductions.

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
PRC current income tax	452	492	433	215	150
LAT in Mainland China	513	415	342	181	37
Deferred income tax *(Note 14)*	(96)	383	(98)	(21)	31
	869	1,290	677	375	218

Reconciliation between tax expenses and profit/(loss) before tax at applicable tax rates:

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before tax	1,135	1,193	(1,862)	(363)	(1,075)
Tax at the statutory tax rate of 25%	284	298	(466)	(91)	(269)
Tax losses not recognised	200	681	887	330	459
LAT deductible for calculation of income tax purpose	(128)	(104)	(86)	(45)	(9)
LAT in Mainland China	513	415	342	181	37
	869	1,290	677	375	218

The Huizhou Target Group has tax losses arising in the PRC that will expire in two to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

7. Dividends

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Final dividend	—	82,229	—	—	—

8. Property, plant and equipment

The Huizhou Target Group

	Buildings	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
As at 1 January 2017	374	293	96	763
Additions	—	—	17	17
As at 31 December 2017 and 1 January 2018	374	293	113	780
Additions	—	—	15	15
Write-off	—	(293)	—	(293)
Disposal	—	—	(22)	(22)
As at 31 December 2018 and 1 January 2019	374	—	106	480
Additions	—	314	28	342
As at 31 December 2019, 1 January 2020 and 31 July 2020	374	314	134	822
Accumulated depreciation				
As at 1 January 2017	147	264	82	493
Charge for the year	18	—	3	21
As at 31 December 2017 and 1 January 2018	165	264	85	514
Charge for the year	18	—	7	25
Write-off	—	(264)	—	(264)
Disposal	—	—	(19)	(19)
As at 31 December 2018 and 1 January 2019	183	—	73	256
Charge for the year	18	12	12	42
As at 31 December 2019, 1 January 2020	201	12	85	298
Charge for the period	10	18	9	37
As at 31 July 2020	211	30	94	335
Carrying amount				
As at 31 December 2017	209	29	28	266
As at 31 December 2018	191	—	33	224
As at 31 December 2019	173	302	49	524
As at 31 July 2020	163	284	40	487

Huiyang Yuehai

	Buildings	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
As at 1 January 2017, 31 December 2017 and 1 January 2018	374	293	96	763
Write-off	—	(293)	—	(293)
Disposal	—	—	(22)	(22)
As at 31 December 2018, 1 January 2019, 31 December 2019, 1 January 2020 and 31 July 2020	374	—	74	448
Accumulated depreciation				
As at 1 January 2017	147	264	82	493
Charge for the year	18	—	3	21
As at 31 December 2017 and 1 January 2018	165	264	85	514
Charge for the year	18	—	2	20
Write-off	—	(264)	—	(264)
Disposal	—	—	(19)	(19)
As at 31 December 2018 and 1 January 2019	183	—	68	251
Charge for the year	18	—	—	18
As at 31 December 2019, 1 January 2020	201	—	68	269
Charge for the period	10	—	—	10
As at 31 July 2020	211	—	68	279
Carrying amount				
As at 31 December 2017	209	29	11	249
As at 31 December 2018	191	—	6	197
As at 31 December 2019	173	—	6	179
As at 31 July 2020	163	—	6	169

9. Investment properties

The Huizhou Target Group and Huiyang Yuehai

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January of the year/period	4,949	4,913	6,695	6,480
Fair value (losses)/gains on investment properties	(36)	1,782	(215)	67
As at 31 December of the year/ 31 July 2020	4,913	6,695	6,480	6,547

Huiyang Yuehai and the Huizhou Target Group measure the investment properties at fair value. Independent valuation of these investment properties were performed by the valuer, Vigers Appraisal and Consulting Limited ("**Vigers**") who hold a recognised relevant professional qualification, to determine the fair value of these investment properties at 31 December 2017, 2018 and 2019 and 31 July 2020.

Huiyang Yuehai and the Huizhou Target Group's investment properties were carried at fair value of RMB4,913,000, RMB6,695,000, RMB6,480,000 and RMB6,547,000 as at 31 December 2017, 2018 and 2019 and 31 July 2020 respectively and are valued by fair value measurements using significant unobservable inputs (level 3). Huiyang Yuehai and the Huizhou Target Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the years/period.

Fair value measurements using significant unobservable inputs

Fair value of the investment properties is derived using the income approach. Income approach is based on the capitalisation of the reversionary income potential by adopting appropriate market yields, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements using significant unobservable inputs:

31 December 2017

Description	Fair value at 31 December 2017	Valuation method	Range of significant unobservable inputs	
			Market yield	Estimated rental per month (per sq. m.)
	RMB'000			
Clubhouse, Huiyang Lai Jiang Garden	3,723	Income approach	5%	RMB27
Kindergarten, Huiyang Lai Jiang Garden	1,190	Income approach	5%	RMB22
	4,913			

31 December 2018

Description	Fair value at 31 December 2018	Valuation method	Range of significant unobservable inputs	
			Market yield	Estimated rental per month (per sq. m.)
	RMB'000			
Clubhouse, Huiyang Lai Jiang Garden	5,005	Income approach	5%	RMB36
Kindergarten, Huiyang Lai Jiang Garden	1,690	Income approach	5%	RMB29
	6,695			

31 December 2019

Description	Fair value at 31 December 2019	Valuation method	Range of significant unobservable inputs	
			Market yield	Estimated rental per month (per sq. m.)
	RMB'000			
Clubhouse, Huiyang Lai Jiang Garden	4,850	Income approach	5%	RMB35
Kindergarten, Huiyang Lai Jiang Garden	1,630	Income approach	5%	RMB28
	6,480			

31 July 2020

Description	Fair value at 31 July 2020	Valuation method	Range of significant unobservable inputs: Market yield	Range of significant unobservable inputs: Estimated rental per month (per sq. m.)
	RMB'000			
Clubhouse, Huiyang Lai Jiang Garden	4,807	Income approach	5%	RMB34
Kindergarten, Huiyang Lai Jiang Garden	1,740	Income approach	5%	RMB30
	6,547			

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

Prevailing market rents are estimated based on Vigers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Market yield is estimated by Vigers based on the risk profile of the properties being valued. The higher the yield, the lower the fair value.

Amounts recognised in profit or loss for investment properties

	Year ended 31 December			Seven months ended 31 July	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Rental income from operating leases	459	459	459	267	117
Fair value (loss)/gain recognised	(36)	1,782	(215)	—	67

Leasing arrangement

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no variable lease payments that depend on an index or rate.

Although the Huizhou Target Group is exposed to changes in the residual value at the end of the current leases, the Huizhou Target Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

10. Completed properties held for sale and properties held for sale under development

The Huizhou Target Group

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed properties held for sale				
— Carparks	8,125	6,273	4,733	4,398
Properties held for sale under development expected to be completed and delivered:				
— Within a normal operating cycle included under current assets	57,228	59,315	60,847	60,974
Amounts comprise:				
— Land premium	55,855	55,855	55,855	55,855
— Construction costs capitalised	1,373	3,460	4,992	5,119
	57,228	59,315	60,847	60,974

Huiyang Yuehai

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed properties held for sale				
— Carparks	8,125	6,273	4,733	4,398

The normal operating cycle of Huiyang Yuehai and the Huizhou Target Group's property development generally ranges from two to three years.

At the end of each reporting period, properties held for sale under development were not scheduled for completion within twelve months.

11. Amounts due from group companies and other deposits and receivables

The Huizhou Target Group

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from fellow subsidiaries	73,325	56,883	—	139
Other deposits and receivables	367	404	700	459
	73,692	57,287	700	598

Huiyang Yuehai

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from fellow subsidiaries	73,325	56,879	—	132
Amount due from a subsidiary	63,494	67,535	72,985	—
Other deposits and receivables	335	324	463	188
	137,154	124,738	73,448	320

The carrying amount of amounts due from group companies and other deposits and receivables are denominated in RMB. None of the above assets is past due as at 31 December 2017, 2018 and 2019 and 31 July 2020.

The credit risk of amounts due from group companies is low as they are wholly owned by Guangdong Holdings Limited with a strong financial position. With no significant increase in credit risk as at 31 December 2017, 2018 and 2019 and 31 July 2020, the expected credit loss was considered as immaterial to Huiyang Yuehai.

The other deposits and receivables mainly comprised of the interest receivable. The credit risk of this balance is low as the counterparty was also wholly owned by Guangdong Holdings Limited with a strong financial position. With no significant increase in credit risk as at 31 December 2017, 2018 and 2019 and 31 July 2020, the expected credit loss was considered as immaterial to Huiyang Yuehai.

12. Cash and cash equivalents

The Huizhou Target Group and Huiyang Yuehai

The cash and cash equivalents represent bank deposits and are denominated in RMB. RMB is 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 Huizhou Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of cash and cash equivalents approximate their fair values because of their immediate or short-term maturities.

13. Other payables, accruals and provisions

The Huizhou Target Group

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to fellow subsidiaries	200	88	164	331
Other payables, accruals and provisions	2,299	1,034	1,315	674
	2,499	1,122	1,479	1,005

Huiyang Yuehai

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables, accruals and provisions	2,170	322	419	268

Amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts approximate their fair values.

The carrying amounts of other payables approximate their fair values because of their immediate or short-term maturity. The other payables were denominated in RMB. None of the above liabilities were past due as at 31 December 2017, 2018 and 2019 and 31 July 2020.

14. Deferred tax

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 25% as at 31 December 2017, 2018 and 2019 and 31 July 2020.

The movement in deferred income tax assets and liabilities arising from different account items are as follows:

The Huizhou Target Group and Huiyang Yuehai

Deferred tax assets

	Provision for LAT *RMB'000*
As at 1 January 2017	389
Credited to statement of comprehensive income	128
As at 31 December 2017 and 1 January 2018	517
Credited to statement of comprehensive income	104
As at 31 December 2018 and 1 January 2019	621
Credited to statement of comprehensive income	86
As at 31 December 2019 and 1 January 2020	707
Credited to statement of comprehensive income	9
As at 31 July 2020	716

Deferred tax liabilities

	Revaluation of investment properties *RMB'000*	Accelerated tax depreciation *RMB'000*	Total *RMB'000*
As at 1 January 2017	(611)	(97)	(708)
Credited/(charged) to statement of comprehensive income	9	(41)	(32)
As at 31 December 2017 and 1 January 2018	(602)	(138)	(740)
Charged to statement of comprehensive income	(446)	(41)	(487)
As at 31 December 2018 and 1 January 2019	(1,048)	(179)	(1,227)
Credited/(charged) to statement of comprehensive income	53	(41)	12
As at 31 December 2019 and 1 January 2020	(995)	(220)	(1,215)
Charged to statement of comprehensive income	(16)	(24)	(40)
As at 31 July 2020	(1,011)	(244)	(1,255)

Deferred tax assets and liabilities are netted off when the taxes related to the same taxation authority and where the offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	517	621	707	716
Deferred tax liabilities	(740)	(1,227)	(1,215)	(1,255)
	(223)	(606)	(508)	(539)

15. Share capital

The Huizhou Target Group and Huiyang Yuehai

	RMB'000
Registered capital	
As at 1 January 2017, 31 December 2017, 1 January 2018, 31 December 2018 and 1 January 2019	49,782
Capital injection	82,229
As at 31 December 2019, 1 January 2020 and 31 July 2020	132,011

Both Huiyang Yuehai and Huizhou Yuehai were incorporated in the PRC.

16. Reserves

The Huizhou Target Group

The amounts of the Huizhou Target Group's reserves and the movements therein for the current period and prior years are presented in the consolidated statements of changes in equity on pages III-9.

Huiyang Yuehai

The amounts of Huiyang Yuehai's reserves and the movements therein for the current period and prior years are presented as follows:

	Capital reserve *RMB'000*	**Reserve funds** *RMB'000*	**Revaluation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
As at 1 January 2017	25,218	8,956	1,761	79,536	115,471
Profit and total comprehensive income for the year	—	—	—	1,201	1,201
Transfer to reserve funds	—	181	—	(181)	—
As at 31 December 2017	25,218	9,137	1,761	80,556	116,672
As at 1 January 2018	25,218	9,137	1,761	80,556	116,672
Profit and total comprehensive income for the year	—	—	—	2,751	2,751
Transaction with owner:					
Dividends (Note 7)	—	—	—	(82,229)	(82,229)
Transfer to reserve funds	—	177	—	(177)	—
As at 31 December 2018	25,218	9,314	1,761	901	37,194
As at 1 January 2019	25,218	9,314	1,761	901	37,194
Profit and total comprehensive income for the year	—	—	—	1,057	1,057
Transfer to reserve funds	—	1	—	(1)	—
As at 31 December 2019	25,218	9,315	1,761	1,957	38,251
As at 1 January 2020	25,218	9,315	1,761	1,957	38,251
Profit and total comprehensive income for the year	—	—	—	482	482
As at 31 July 2020	25,218	9,315	1,761	2,439	38,733
(Unaudited)					
As at 1 January 2019	25,218	9,314	1,761	901	37,194
Profit and total comprehensive income for the year	—	—	—	651	651
As at 31 July 2019	25,218	9,314	1,761	1,552	37,845

Pursuant to the relevant PRC laws and regulations, capital reserve arises from issue of shares at premium. The reserve is not related to the entity's performance.

A portion of the profits of Huiyang Yuehai and its subsidiary which are registered in the PRC has been transferred to the reserve funds which are restricted as to use and are not available for distribution. When the balance of this reserve reaches 50% of the share capital, any further appropriation is optional. The amounts transferred from the retained profits are determined by the board of directors of Huiyang Yuehai and those of its subsidiary.

Revaluation reserve of Huiyang Yuehai arose from the transfer of property, plant and equipment to investment properties.

17. Reconciliation of liabilities arising from financing activities

	Dividend payable *RMB'000*
As at 1 January 2017, 31 December 2017 and 1 January 2018	—
Dividend for the year	82,229
Cash flows	(16,446)
As at 31 December 2018 and 1 January 2019	65,783
Non-cash transaction *(Note (i))*	(65,783)
As at 31 December 2019, 1 January 2020 and 31 July 2020	—

Note:

(i) During the year ended 31 December 2019, the dividend payable of RMB65,783,000 was settled through the capital injection.

18. Significant related party transactions

(a) Transactions with related parties

Except for the transactions and balances detailed elsewhere in this Historical Financial Information, the Huizhou Target Group did not have any significant related party transactions during the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020.

(b) Outstanding balances with related parties

		Year ended 31 December			**As at 31 July**
		2017	**2018**	**2019**	**2020**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from fellow subsidiaries	*(i)*	73,325	56,883	—	139
Amounts due to fellow subsidiaries	*(i)*	(200)	(88)	(164)	(331)

Note:

(i) The amounts due from/(to) fellow subsidiaries are unsecured, interest-free, repayable on demand and denominated in RMB.

19. Commitments

(a) Capital commitments

As at 31 December 2017, 2018 and 2019 and 31 July 2020, there were no capital commitments.

(b) Operating commitments

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to Note 9.

The minimum lease payments receivable on leases of investment properties are as follows:

	Year ended 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	494	522	552	129
Between 1 and 2 years	522	552	585	135
Between 2 and 3 years	552	585	448	142
Between 3 and 4 years	585	448	21	149
Between 4 and 5 years	448	21	—	157
Later than 5 years	21	—	—	412
	2,622	2,128	1,606	1,124

20. Contingent liabilities

As at 31 December 2017, 2018 and 2019 and 31 July 2020, there were no contingent liabilities.

21. Segment reporting

No segmental information for the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020 is presented as the Huizhou Target Group's revenue and operating results for the years/period were generated solely from its property development and investment operation in the PRC.

22. Benefits and interests of directors

Directors' emoluments

For the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020, no emoluments were paid to or receivable by Huiyang Yuehai's directors in respect of their services to the Huizhou Target Group.

(a) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Huizhou Target Group or other services in connection with the management of the affairs of the Huizhou Target Group undertaking.

(b) Directors' termination benefits

During the years/period, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(c) Consideration provided to third parties for making available directors' services

During the years/period, no consideration was provided to or receivable by third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years/period, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Huizhou Target Group's business to which the Huizhou Target Group was a party and in which a director of the Huizhou Target Group had a material interest, whether directly or indirectly, subsisted at the end of the years/period or at any time during the years/period.

23. Financial risk management

The Huizhou Target Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Huizhou Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Huizhou Target Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Interest rate risk

The Huizhou Target Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Huizhou Target Group's interest-bearing assets mainly include deposits at bank. The Huizhou Target Group has no financial liabilities which are carried at variable or fixed interest rate.

At the end of each reporting period, if interest rates had been increased or decreased by 50 basis points and all other variables were held constant, the pre-tax profit/(loss) for the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020 of the Huizhou Target Group would have increased or decreased/decrease or increase by approximately RMB69,000, RMB53,000, RMB406,000 and RMB399,000 respectively resulting from the change in interest income on bank deposits.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Huizhou Target Group. The credit risk of the Huizhou Target Group's financial assets, which comprise cash and cash equivalents, amounts due from fellow subsidiaries and other deposits and receivables, arises from default of the counterparty, with the maximum exposure equal to the carrying amounts of these instruments.

Amounts due from fellow subsidiaries and other deposits and receivables

For the amounts due from fellow subsidiaries and other deposits and receivables from third parties and related parties, the counterparties primarily have strong financial position and management considers the credit risk is not high. The Huizhou Target Group maintains frequent communications with these counterparties and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward-looking information.

To assess whether there is a significant increase in credit risk, the Huizhou Target Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Huizhou Target Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the lender would not otherwise consider;

(iv) it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from other receivables since the initial recognition of those assets, although the decrease cannot yet be identified with the individual other receivables in the portfolio;

(vi) adverse changes in the payment status of debtors; and

(vii) national or local economic conditions that correlate with defaults on other receivables.

The Huizhou Target Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Huizhou Target Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rate, the Huizhou Target Group considers historical loss rates for each category of debtors and adjusts for forward looking macroeconomic data.

As at 31 December 2017, 2018 and 2019 and 31 July 2020, management consider other deposits and receivables and amounts due from fellow subsidiaries as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Huizhou Target Group assessed that the expected credit losses for these deposits and receivables are immaterial.

Cash and cash equivalents

As at 31 December 2017, 2018 and 2019 and 31 July 2020, management consider cash and cash equivalents as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The identified impairment loss of cash and cash equivalents was immaterial.

(c) Liquidity risk

The Huizhou Target Group monitors its risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (e.g. amounts due from fellow subsidiaries and other deposits and receivables) and projected cash flows from operations. The Huizhou Target Group's objective is to maintain a balance between continuity of funding and flexibility.

Management of the Huizhou Target Group has carried out a detailed review of the cash flow forecasts for the next twelve months from the end of each reporting period. Based on these forecasts, the directors of the Huizhou Target Group have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Huizhou Target Group during the forecast periods. In preparing the cash flow forecasts, the directors of the Huizhou Target Group have considered cash requirements of the Huizhou Target Group as well as other key factors, including the availability of loans financing, as described in Note 2(a), which may impact the operations of the Huizhou Target Group prior to the end of the next twelve months after the end of each reporting period. The directors of the Huizhou Target Group are of the opinion that the assumptions and sensitivities which are included in the cash flow forecasts are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The maturity profile of the Huizhou Target Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017					
Other payables, accruals and provisions	2,499	—	—	—	2,499
As at 31 December 2018					
Other payables, accruals and provisions	1,122	—	—	—	1,122
Dividend payable	65,783	—	—	—	65,783
	66,905	—	—	—	66,905
As at 31 December 2019					
Other payables, accruals and provisions	1,479	—	—	—	1,479
As at 31 July 2020					
Other payables, accruals and provisions	1,005	—	—	—	1,005

(d) Fair value estimation

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Huizhou Target Group for similar financial instruments.

The carrying amounts of amounts due from fellow subsidiaries and other deposits and receivables, cash and cash equivalents, other payables, accruals and provision, and dividend payable are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

(e) Capital management

The Huizhou Target Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholder and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Huizhou Target Group may adjust the amount of dividends paid to shareholder, return capital to shareholder or issue new shares. The Huizhou Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020.

24. Investment in a subsidiary

	As at 31 December			As at 31 July
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in a subsidiary, at cost	8,000	8,000	88,000	88,000

Particulars of Huiyang Yuehai's subsidiary are as follows:

Company	**Place of incorporation/ registration and business**	**Registered capital**	**Percentage of equity attributable to Huiyang Yuhai**	**Principal activity**
惠州市粵海房地產開發有限公司	PRC	RMB88,000,000	Direct — 100%	Property development

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Huizhou Target Group in respect of any period subsequent to 31 July 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Huizhou Target Group in respect of any period subsequent to 31 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Set out below is the management discussion and analysis of the Target Companies for the three years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020.

A. JIANGMEN YUEHAI

According to the information of National Bureau of Statistics of the PRC, the preliminary gross domestic product ("**GDP**") for the first half of 2020 showed an overall decline of approximately 1.6% from that of the same period last year but GDP growth in the second quarter of the year realised a turnaround from negative to positive, increased by 3.2% from the second quarter of the previous year and by 11.5% from the first quarter of the year while per capita nominal disposable income of national residents recorded a year-on-year growth of approximately 2.4%.

In the first half of 2020, Jiangmen City, one of the Greater Bay Area cities, has loosened household registration restrictions, which is expected to attract more population inflow, encourage usual residents to acquire urban residency status, stimulate the demand for home ownership and bring more growth potential to the development of the local real estate industry.

Jiangmen Yuehai was incorporated on 23 June 2020. Since the incorporation of Jiangmen Yuehai and up to 31 July 2020 (the "**Review Period**"), Jiangmen Yuehai has been engaged in property development. No segmental information is presented as Jiangmen Yuehai's operating result for the period from 23 June 2020 to 31 July 2020 was generated solely from its property development operation in the PRC.

BUSINESS REVIEW

Material Acquisition – The Jiangmen Land

Jiangmen Yuehai acquired the land use right of Jiangmen (No. 3 – 5) Land, the three parcels of land for the Jiangmen Ganhua Project, in June 2020. The Jiangmen (No. 3 – 5) Land is located at Ganhua Sub-district, Beixin District, Pengjiang, and is to the east of Ganbei Road, west of Xi River, south of Panbian Street, and north of Beixin Road, Pengjiang, Jiangmen City, and is adjacent to Xi River. The Jiangmen (No. 3 – 5) Land has an aggregate site area of 174,537.52 sq. m. and has been approved for city and town residential, and other commercial and service uses. In addition, the Jiangmen (No.6) Land, a parcel of land adjacent to the Jiangmen (No. 3 – 5) Land with an aggregate site area of 18,114.82 sq. m., has been approved for medical and health, and commercial service uses; and, subject to the approval of the relevant government authorities in accordance with the policy of "Three Olds" Renovation (「三舊」改造) in relation to, among other things, the resettlement of the residents. Jiangmen Yuehai shall be entitled to acquire the relevant land use right in respect of Jiangmen (No. 6) Land without paying any land premium.

The Jiangmen Land is overall in a square shape and is situated in a well-developed area with high quality, has an advantage of scale, a diverse combination of commercial and residential sectors, and superior river view and landscape, and is well set as a benchmark project in the central area of Jiangmen.

The Jiangmen Ganhua Project

Jiangmen Yuehai intends to develop a large-scale integrated property project on the Jiangmen Land, which will have an aggregate gross floor area of approximately 438,198.02 sq. m., comprising (i) on the Jiangmen (No. 3 – 5) Land, approximately 274,371.00 sq. m. for residential use, approximately 119,194.52 sq. m. for commercial use and approximately 3,035.00 sq. m. for ancillary public facilities; and (ii) on the Jiangmen (No. 6) Land, approximately 28,797.00 sq. m. for elderly residential apartments and public service facilities, and approximately 12,800.50 sq. m. for care homes and health centers. The construction of the whole project is expected to be completed in December 2026. The pre-sale of the first phase of the Jiangmen Ganhua Project is expected to be commenced in May 2021. As at the Latest Practicable Date, the land leveling work for the Jiangmen Ganhua Project is in progress.

The cumulative development costs and direct expenses of the Jiangmen Ganhua Project amounted to approximately RMB1,734,768,000 in aggregate as at 31 July 2020.

RESULTS

As Jiangmen Yuehai was established in June this year, it did not record any revenue during the Review Period. During the Review Period, Jiangmen Yuehai recorded a loss after taxation of approximately RMB752,000, which mainly represented administrative expenses.

Properties Held for Sale under Development

Property project	Location	Property type	Interest held by Jiangmen Yuehai	Approximate total site area *(sq. m.)*	Approximate GFA* *(sq. m.)*	Progress	Expected completion and filing date
The Jiangmen (No. 3 — 5) Land of the Jiangmen Ganhua Project	Jiangmen City, the PRC	Residential and commercial	100%	174,538	396,601	Construction of pile foundation and sales centre in progress	Phase I: 2022

**Note: Including common area and area transfer to the government.*

FINANCIAL REVIEW

Financial Highlights

Key Financial Indicators

	Note	**For the period from 23 June 2020 (date of incorporation) to 31 July 2020**
Loss before taxation (RMB thousand)		(752)
Loss after taxation (RMB thousand)		(752)

	Note	**As at 31 July 2020**
Net assets (RMB million)		1,259
Gearing ratio (%)	*1*	37.7%

Note:

1. Gearing ratio = (Interest-bearing loans – cash and cash equivalents) ÷ net assets

Operating Income, Expenses and Finance Costs

During the Review Period, Jiangmen Yuehai recorded selling and marketing expenses of approximately RMB15,000, which was mainly employee remuneration. During the Review Period, Jiangmen Yuehai recorded administrative expenses of approximately RMB737,000, which mainly represented business taxes and surcharges.

As at 31 July 2020, Jiangmen Yuehai borrowed RMB500 million from Yuegang Investment, its shareholder. During the Review Period, Jiangmen Yuehai recorded finance costs of approximately RMB474,000, which were all capitalised.

Capital Expenditure

During the Review Period, the capital expenditure paid by Jiangmen Yuehai amounted to approximately RMB6,000, which was mainly used for purchase of office equipment.

Financial Resources and Liquidity

As at 31 July 2020, the cash and cash equivalents of Jiangmen Yuehai amounted to approximately RMB25.384 million, all of which were in RMB.

As most of the transactions in Jiangmen Yuehai's daily operations in Mainland China are denominated in RMB, exposure to currency risk from these transactions is low. During the Review Period, Jiangmen Yuehai did not take the initiative to perform currency hedge for such transactions.

As at 31 July 2020, Jiangmen Yuehai borrowed a loan from a shareholder in an amount of RMB500 million with a gearing ratio[1] of approximately 37.7%. As at 31 July 2020, unutilised loan facilities available to Jiangmen Yuehai amounted to RMB161 million. According to the loan agreement, such loan is repayable in 2025 and the applicable interest rate is charged at the benchmark interest rate for five-year loans for financial institutions as stipulated by the People's Bank of China (4.75% per annum as at 31 July 2020). Jiangmen Yuehai reviews its funding needs from time to time according to the business development of the Jiangmen Ganhua Project and considers obtaining funds through various financing means and channels so as to secure adequate financial resources for business development.

Asset Pledged and Contingent Liabilities

As at 31 July 2020, Jiangmen Yuehai did not pledge any assets or have any material contingent liabilities.

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1 Gearing ratio = (Interest-bearing loans – cash and cash equivalents) ÷ net assets

Reconciliation of the market value of the Jiangmen Land

The following reconciliation statement reconciles the carrying amount of the Jiangmen Land as at 31 July 2020 extracted from Appendix II of this circular to the market value of the Jiangmen Land as at 31 August 2020 set out in the Valuation Report (Appendix VI of this circular).

	RMB'000
Carrying amount of the Jiangmen Land as at 31 July 2020	1,734,768
Additional development costs incurred during August 2020	2,083
Carrying amount of the Jiangmen Land as at 31 August 2020	1,736,851
Net valuation surplus	22,149
Market value of the Jiangmen Land as at 31 August 2020	1,759,000

Risks and Uncertainties

As Jiangmen Yuehai is engaged in the business of property development in Mainland China, the risks and uncertainties of its business are principally associated with the property market and property prices in Mainland China, and Jiangmen Yuehai's revenue in the future will be directly affected accordingly. The property market in Mainland China is affected by a number of factors which include, among others, economic environment, property supply and demand, the PRC government's fiscal and monetary policies, taxation policies and austerity measures on the real estate sector, etc.

As property projects have a relatively long development period, Jiangmen Yuehai may need to seek external funding to partially finance the development of such projects. As such, financing channels and finance costs are subject to the prevailing market conditions, loan interest rates and the financial position of Jiangmen Yuehai. As at 31 July 2020, Jiangmen Yuehai had outstanding interest-bearing loan of RMB500 million.

As the property development business has a relatively long product life cycle, Jiangmen Yuehai's future results and cash flows will be relatively volatile.

Policy and Performance on Environmental, Social and Governance

Jiangmen Yuehai strictly complies with the regulations enacted by the Mainland China and Hong Kong governments, including those in relation to environmental protection, social and governance. Jiangmen Yuehai's internal management for environmental, social and governance, especially for important environmental, social and governance issues, is supported by all levels and departments of the company.

Jiangmen Yuehai is engaged in the real estate business and it is very important to strictly comply with environmental laws and regulations on construction works. Any failure to observe the relevant environmental laws and regulations may result in the relevant authorities' rejection of the applications for construction projects. Jiangmen Yuehai ensures that all newly constructed buildings comply with the environmental protection and energy conservation requirements set by the central and local governments. It also spares no efforts in contributing to environmental protection by actively collaborating with the main contractors of its development projects.

Human Resources

As at 31 July 2020, Jiangmen Yuehai had 7 employees in aggregate. Various basic benefits were provided to Jiangmen Yuehai's staff. As to the staff incentive policy, it was determined with reference to both Jiangmen Yuehai's operating results as well as the performance of the individual staff member. There was no share option scheme of Jiangmen Yuehai in operation during the Review Period.

Outlook

According to the economic data for the third quarter of 2020 released by the PRC's National Bureau of Statistics, the macro-economic environment of the PRC improved continuously on a turnaround basis from the second quarter of 2020. The gross domestic product for the third quarter of 2020 increased 4.9% when compared to the same period last year and 2.7% when compared to the previous quarter. The national economy gradually recovered and returned to a positive growth. It is expected that the macroeconomic policy for the fourth quarter of 2020 and monetary policy will more or less maintain a balance. With the implementation of the appropriate fiscal policy, it is expected that the macroeconomic environment will maintain a good recovery trend in the fourth quarter of 2020.

In the third quarter of 2020, the PRC government continues to adhere the direction of the overarching principle of "housing is for living, but not for speculation" (房住不炒) and does not use the real estate industry as the tool to stimulate the short-term economic growth. There were various measures to control real estate enterprises in the industry, including proper financial management, the test run of "three red lines" (i.e. the ratio of total liabilities (exclude receipt in advance) to total assets not exceeding 70%, net gearing ratio not exceeding 100%, the ratio of cash to short-term interest-bearing loans not less than 1), de-leverage and reduction of debts. Some of the hotspot cities that exhibited a market boom have led to a severe control measures, which is expected to stabilise the market and reflect the proper implementation of localised policy. For the nine months ended 30 September 2020, the land supply in the PRC increased slightly from the same period last year, with the overall average selling price per GFA continued to increase. It is expected that there exists a good project development window in the fourth quarter of this year. In the short run, due to the implementation of localised policy, it is expected that there will be more control measures launched for those cities that exhibit a strong growth in real estate prices to stabilise the market expectation. Meanwhile, there will be an increase in the subsidies in respect of real estate purchase in other cities, the protection of housing to attract talents being strengthened, and the relaxation of local citizenship registration restrictions. All of the above measures favor the development of real estate market.

Subsequent to the implementation of the relevant plans and policies for the Greater Bay Area, further integration and development of various cities in the 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. Jiangmen City is positioned as the western gateway of the Greater Bay Area, and the future development of such area is expected to prosper. Along with the relief of COVID-19, the overall property market in Jiangmen is gradually recovering. According to Jiangmen Municipal Housing and Urban-Rural Development Bureau, for August 2020, the average transaction price of commodity housing (residential units) in Jiangmen was approximately RMB8,331 per sq.m., increased by 2.0% on a month-on-month basis and 0.9% on a year-on-year basis, while the transaction volume of commodity housing also increased significantly, increased by 1.2% on a month-on-month basis. Jiangmen Yuehai is optimistic about the property market in Jiangmen.

B. THE HUIZHOU TARGET GROUP

According to the information of National Bureau of Statistics of the PRC, the preliminary GDP for the first half of 2020 showed an overall decline of approximately 1.6% from that of the same period last year but GDP growth in the second quarter of the year realised a turnaround from negative to positive, increased by 3.2% from the second quarter of the previous year and by 11.5% from the first quarter of the year while per capita nominal disposable income of national residents recorded a year-on-year growth of approximately 2.4%.

In the first half of 2020, Huizhou City, one of the Greater Bay Area cities, has loosened household registration restrictions, which is expected to attract more population inflow, encourage usual residents to acquire urban residency status, stimulate the demand for home ownership and bring more growth potential to the development of the local real estate industry.

The Huizhou Target Group is engaged in property development and investment. Currently, Huiyang Yuehai mainly holds certain investment properties and car park spaces in Huizhou City as well as a parcel of land located at Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong Province, the PRC with a total site area of approximately 30,698 sq. m. through Huizhou Yuehai, its wholly-owned subsidiary. The Huizhou Land has been approved for residential and commercial uses. No segmental information for the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020 is presented as the Huizhou Target Group's revenue and operating results for the years/period were generated solely from its property development and investment operation in the PRC.

RESULTS

For the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020 (the "**Review Period**"), the consolidated revenue of the Huizhou Target Group was approximately RMB5,231,000, RMB4,557,000, RMB3,905,000 and RMB985,000, respectively. The revenue was mainly derived from the sale of car-parking spaces and rental income of properties in Huiyang Lijiang Garden. For the year ended 31 December 2017, the Huizhou Target Group recorded a profit after tax of approximately RMB266,000. For the years ended 31 December 2018 and 2019 and the seven months ended 31 July 2020, the Huizhou Target Group recorded a loss after tax of approximately RMB97,000, RMB2,539,000 and RMB1,293,000, respectively.

During the Review Period, the Huizhou Target Group recorded insignificant earnings or losses, which was primarily due to the lack of development of property projects, minimal rental income received, and the sale of few completed properties held for sale.

BUSINESS REVIEW

Completed Properties Held for Sale and Investment Properties

Property project	Location	Property type	Usage	Interest held by the Huizhou Target Group	GFA (sq. m.)	Approximate GFA delivered — Review Period (sq. m.)	Approximate GFA delivered — Accumulated (sq. m.)	The proportion of GFA delivered to GFA available for sale — Accumulated
Huiyang Lijiang Garden	Huizhou City, the PRC	Kindergarten and clubhouse	Lease*	100%	1,699	N/A	N/A	N/A
Huiyang Lijiang Garden	Huizhou City, the PRC	Car-parking spaces	Sale	100%	6,541	121	4,951	76%

* *Certain GFA of the clubhouse are for self-use*

Properties Held for Sale under Development

Property project	Location	Property type	Interest held by the Huizhou Target Group	Approximate total site area (sq. m.)	Approximate GFA* (sq. m.)	Progress	Expected completion and filing date
Huizhou Dayawan Project	Huizhou City, the PRC	Residential and commercial	100%	30,698	92,094	Planning design and application for construction in progress	October 2023

**Note: Including common area and area transfer to the government.*

The Huizhou Dayawan Project

The principal asset of the Huizhou Target Group is a parcel of land located at Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong Province, the PRC with a total site area of approximately 30,698 sq. m.. The Huizhou Land has been approved for residential and commercial uses. Huizhou City is an important gateway on the east coast of the Greater Bay Area and has good transport infrastructure including an airport. The Huizhou Land is located in the southern part of Huizhou City, and north of Huiyang and west of Pingshan, Shenzhen. It is close to Xin'ao Avenue, a trunk road connecting Huiyang and Dayawan District. The Huizhou Land is situated at an excellent geographical location which is 100 kilometers from Hong Kong, 68 kilometers from Macau, 60 kilometers from Shenzhen city center and 120 kilometers from Dongguan city center.

Based on the current plan, it is intended to construct an aggregate gross floor area of approximately 92,094 sq. m. on the Huizhou Land, comprising (i) approximately 81,469 sq. m. for residential use, (ii) approximately 9,209 sq. m. for commercial use, and (iii) 1,416 sq. m. for ancillary public facilities. The Huizhou Dayawan Project is positioned to be a quality urban residential community with natural slope land garden view. The completion of works (竣工備案) for the development of the Huizhou Dayawan Project is expected to be filed in October 2023.

As at 31 July 2020, the cumulative development costs and direct expenses of the Huizhou Dayawan Project amounted to approximately RMB60,974,000 in aggregate.

FINANCIAL REVIEW

Financial Highlights

Key Financial Indicators

	Note	**2017**	**2018**	**2019**	**January to July 2020**
Profit/(loss) after tax (RMB thousand)		266	(97)	(2,539)	(1,293)
Return on equity (%)	*1*	0.17%	(0.14%)	(1.69%)	(0.87%)
		As at 31 December 2017	**As at 31 December 2018**	**As at 31 December 2019**	**As at 31 July 2020**
Net assets (RMB thousand)		152,492	70,166	149,859	148,563
Gearing ratio (%)	*2*	—	—	—	—

Note:

1. Return on equity = Profit/(loss) after tax ÷ net assets

2. Gearing ratio = (Interest-bearing loan – cash and cash equivalents) ÷ net assets

Operating Income, Expenses and Finance Costs

The Huizhou Target Group recorded selling and marketing expenses of approximately RMB248,000, RMB207,000, RMB116,000 and RMB92,000 for the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020, respectively, which were mainly property management fees and charges in relation to the leased properties. The Huizhou Target Group recorded administrative expenses of approximately RMB1,654,000, RMB3,185,000, RMB3,960,000 and RMB2,106,000 for the years ended 31 December 2017, 2018 and 2019 and the seven months ended 31 July 2020, respectively, which mainly represented employee remuneration and general office expenses.

There were no finance costs recorded during the Review Period.

Capital Expenditure

For the years ended 2017, 2018 and 2019 and the seven months ended 31 July 2020, the capital expenditures paid by the Huizhou Target Group amounted to approximately RMB17,000, RMB15,000, RMB342,000 and RMB0, respectively. Such capital expenditures were mainly used for the purchase of office equipment and a motor vehicle.

Financial Resources and Liquidity

As at 31 December 2017, 2018 and 2019 and 31 July 2020, the cash and bank balances of the Huizhou Target Group amounted to approximately RMB13,787,000, RMB10,613,000, RMB81,245,000 and RMB79,876,000, respectively, all of which were in RMB.

As most of the transactions in the Huizhou Target Group's daily operations in Mainland China are denominated in RMB, exposure to currency risk from these transactions is low. During the Review Period, the Huizhou Target Group did not take the initiative to perform currency hedge for such transactions.

During the Review Period, the Huizhou Target Group did not borrow any interest-bearing loans. The Huizhou Target Group reviews its funding needs from time to time according to the future development of the Huizhou Dayawan Project and other businesses and considers obtaining funds through various financing means and channels so as to secure adequate financial resources for business development.

Asset Pledged and Contingent Liabilities

As at 31 July 2020, the Huizhou Target Group did not pledge any assets or have any material contingent liabilities.

Reconciliation of the market value of the Huizhou Land and other properties held by the Huizhou Target Group

The following reconciliation statement reconciles the carrying amount of the relevant properties of the Huizhou Target Group as at 31 July 2020 extracted from Appendix III of this circular to the market value of the relevant properties of the Huizhou Target Group as at 31 August 2020 set out in the Valuation Report (Appendix VI of this circular).

	RMB'000
Carrying amount of the relevant properties of the Huizhou Target Group as at 31 July 2020:	
Property, plant and equipment	163
Investment properties	6,547
Completed properties held for sale	4,398
Properties held for sale under development (i.e. the Huizhou Land)	60,974
	72,082

	RMB'000
Movements in carrying amount of the relevant properties of the Huizhou Target Group during August 2020:	
Depreciation charge recognised	(1)
Fair value change of investment properties	4
Additional development costs incurred for the Huizhou Land	16
Carrying amount of the relevant properties of the Huizhou Target Group as at 31 August 2020	72,101
Net valuation surplus	304,808
Market value of the relevant properties of the Huizhou Target Group as at 31 August 2020	376,909
Market value of the relevant properties of the Huizhou Target Group as at 31 August 2020 comprise:	
Huizhou Land	360,820
A clubhouse and a kindergarten	7,330
132 car-parking spaces	8,759
	376,909

Risks and Uncertainties

As the Huizhou Target Group is engaged in the business of property development and investment in Mainland China, the risks and uncertainties of its business are principally associated with the property market and property prices in Mainland China, and the Huizhou Target Group's revenue in the future will be directly affected accordingly. The property market in Mainland China is affected by a number of factors which include, among others, economic environment, property supply and demand, the PRC government's fiscal and monetary policies, taxation policies and austerity measures on the real estate sector, etc.

As property projects have a relatively long development period, the Huizhou Target Group may need to seek external funding to partially finance the development of such projects. As such, financing channels and finance costs are subject to the prevailing market conditions, loan interest rates and the financial position of the Huizhou Target Group. As at 31 July 2020, the Huizhou Target Group did not have any outstanding interest-bearing loans.

According to the applicable accounting standards, investment properties of the Huizhou Target Group were carried at fair value. The fair value of such investment properties is subject to the prices in the property markets in which they are located as at the end of the respective reporting periods. The fair value changes of such investment properties are recognised in the statement of profit or loss and affect the profitability for the period.

As the property development business has a relatively long product life cycle, the Huizhou Target Group's future results and cash flows will be relatively volatile.

Policy and Performance on Environmental, Social and Governance

The Huizhou Target Group strictly complies with the regulations enacted by the Mainland China and Hong Kong governments, including those in relation to environmental protection, social and governance. The Huizhou Target Group's internal management for environmental, social and governance, especially for important environmental, social and governance issues, is supported by all levels and departments of the company.

The Huizhou Target Group operates in the real estate business and it is very important to strictly comply with environmental laws and regulations on construction works. Any failure to observe the relevant environmental laws and regulations may result in the relevant authorities' rejection of the applications for construction projects. The Huizhou Target Group ensures that all newly constructed buildings comply with the environmental protection and energy conservation requirements set by the central and local governments. It also spares no efforts in contributing to environmental protection by actively collaborating with the main contractors of its development projects.

Human Resources

As at 31 December 2017, 2018 and 2019 and 31 July 2020, the Huizhou Target Group had 3, 8, 9, and 8 employees, respectively. Various basic benefits were provided to the Huizhou Target Group's staff. As to the staff incentive policy, it was determined with reference to both the Huizhou Target Group's operating results as well as the performance of the individual staff member. There was no share option scheme of the Huizhou Target Group in operation during the Review Period.

Outlook

According to the economic data for the third quarter of 2020 released by the PRC's National Bureau of Statistics, the macro-economic environment of the PRC improved continuously on a turnaround basis from the second quarter of 2020. The gross domestic product for the third quarter of 2020 increased 4.9% when compared to the same period last year and 2.7% when compared to the previous quarter. The national economy gradually recovered and returned to a positive growth. It is expected that the macroeconomic policy for the fourth quarter of 2020 and monetary policy will more or less maintain a balance. With the implementation of the appropriate fiscal policy, it is expected that the macroeconomic environment will maintain a good recovery trend in the fourth quarter of 2020.

In the third quarter of 2020, the PRC government continues to adhere the direction of the overarching principle of "housing is for living, but not for speculation" (房住不炒) and does not use the real estate industry as the tool to stimulate the short-term economic growth. There were various measures to control real estate enterprises in the industry, including proper financial management, the test run of "three red lines" (i.e. the ratio of total liabilities (exclude receipt in advance) to total assets not exceeding 70%, net gearing ratio not exceeding 100%, the ratio of cash to short-term interest-bearing loans not less than 1), de-leverage and reduction of debts. Some of the hotspot cities that exhibited a market boom have led to a severe control measures, which is expected to stabilise the market and reflect the proper implementation of localised policy. For the nine months ended 30 September 2020, the land supply in the PRC increased slightly from the same period last year, with the overall average selling price per GFA continued to increase. It is expected that there exists a good project development window in the fourth quarter of this year. In the short run, due to the implementation of localised policy, it is expected that there will be more control measures launched for those cities that exhibit a strong growth in real estate prices to stabilise the market expectation. Meanwhile, there will be an increase in the subsidies in respect of real estate purchase in other cities, the protection of housing to attract talents being strengthened, and the relaxation of local citizenship registration restrictions. All of the above measures favor the development of real estate market.

Subsequent to the PRC government's implementation of the relevant plans and policies for the Greater Bay Area, further integration and development of various cities in the 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. Huizhou City is positioned as the eastern gateway of the Greater Bay Area. It is the most favorable hinterland for industry diffusion, diversified capital flow, and dispersed information flow among Hong Kong, Macau, and the developed areas of the Pearl River Delta, and a hub for logistics and people flow from northeastern Guangdong to southern and western Guangdong. In the third quarter of 2020, the new supply of new residential housing in Huizhou City increased by 11% on a year-on-year basis, while the transaction volume of new residential housing increased by 52% on a year-on-year basis, hitting a record high for the year; GFA of approximately 1,323,300 sq.m. was sold in Dayawan District, where the assets of the Huizhou Dayawan Project mainly locate, with an average selling price of approximately RMB15,794 per sq.m. These two indicators rank first among seven major districts in Huizhou City. The Huizhou Target Group is optimistic about the property market in Huizhou City.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited condensed consolidated balance sheet of the Group as at 30 June 2020 which has been extracted from the Group's published interim report for the six months ended 30 June 2020; and (ii) audited balance sheet of Jiangmen Yuehai and the audited consolidated balance sheet of the Huizhou Target Group as at 31 July 2020 which have been extracted from the Accountant's Report of Jiangmen Yuehai and the Huizhou Target Group set out in Appendix II and III respectively to this Circular, after making pro forma adjustments relating to the Acquisitions.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group on the date of Jiangmen Acquisiton Completion and Huizhou Acquisition Completion. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the assets and liabilities of the Enlarged Group that would have been attained had the Acquisitions been completed on the date indicated herein or any future date.

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

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2020

		Other pro forma adjustments								Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	The Group as at 30 June 2020	**Jiangmen Yuehai as at 31 July 2020**	**The Huizhou Target Group as at 31 July 2020**							**as at 30 June 2020**
	Note 1	*Note 2*	*Note 2*	*Note 3(i)*	*Note 3(ii)*	*Note 3(iii)*	*Note 4(i)*	*Note 4(ii)*	*Note 5*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS										
Non-current assets										
Properties, plant and equipment	39,969	7	561							40,537
Construction in progress	33,480	—	—							33,480
Right-of-use asset	14,352	—	—							14,352
Intangible asset	22,049	—	—							22,049
Investment properties	4,928,801	—	7,544							4,936,345
Deferred tax assets	200,231	—	—							200,231
	5,238,882	**7**	**8,105**	**—**	**—**	**—**	**—**	**—**	**—**	**5,246,994**
Current assets										
Completed properties held for sale	4,550,112	—	5,068							4,555,180
Properties held for sale under development	1,596,026	1,999,043	70,263			(9,121)		144,314		3,800,525
Prepayments, deposits and other receivables	644,527	388	689							645,604
Contract assets	4,349	—	—							4,349
Tax recoverable	67,060	—	—							67,060
Pledged bank deposit	42,069	—	—							42,069
Restricted bank balances	152,873	—	—							152,873
Cash and cash equivalents	2,393,780	29,251	92,044	(293,847)	(224,077)		(94,652)			1,902,499
	9,450,796	**2,028,682**	**168,064**	**(293,847)**	**(224,077)**	**(9,121)**	**(94,652)**	**144,314**	**—**	**11,170,159**
Total assets	**14,689,678**	**2,028,689**	**176,169**	**(293,847)**	**(224,077)**	**(9,121)**	**(94,652)**	**144,314**	**—**	**16,417,153**

	The Group as at 30 June 2020	Jiangmen Yuehai as at 31 July 2020	The Huizhou Target Group as at 31 July 2020	Other pro forma adjustments						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020
	Note 1	*Note 2*	*Note 2*	*Note 3(i)*	*Note 3(ii)*	*Note 3(iii)*	*Note 4(i)*	*Note 4(ii)*	*Note 5*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES										
Current liabilities										
Trade payables	1,872	—	—							1,872
Other payables, accruals and provisions	604,762	1,438	1,158		522,846		220,856		6,600	1,357,660
Contract liabilities	677,003	—	—							677,003
Lease obligations	8,429	—	—							8,429
Tax payables	840,503	—	3,196							843,699
Bank borrowings	227,718	—	—							227,718
Loan from the immediate holding company	—	576,170	—	(293,847)						282,323
Loan from a fellow subsidiary	437,920	—	—							437,920
	2,798,207	**577,608**	**4,354**	**(293,847)**	**522,846**	**—**	**220,856**	**—**	**6,600**	**3,836,624**
Net current assets	**6,652,589**	**1,451,074**	**163,710**	**—**	**(746,923)**	**(9,121)**	**(315,508)**	**144,314**	**(6,600)**	**7,333,535**
Total assets less current liabilities	**11,891,471**	**1,451,081**	**171,815**	**—**	**(746,923)**	**(9,121)**	**(315,508)**	**144,314**	**(6,600)**	**12,580,529**
Non-current liabilities										
Bank borrowings	1,895,224	—	—							1,895,224
Loan from a fellow subsidiary	1,926,848	—	—							1,926,848
Lease obligations	6,497	—	—							6,497
Deferred tax liabilities	1,548,280	—	621							1,548,901
Other payables	13,223	—	—							13,223
	5,390,072	**—**	**621**	**—**	**—**	**—**	**—**	**—**	**—**	**5,390,693**
Total liabilities	**8,188,279**	**577,608**	**4,975**	**(293,847)**	**522,846**	**—**	**220,856**	**—**	**6,600**	**9,227,317**
Net assets	**6,501,399**	**1,451,081**	**171,194**	**—**	**(746,923)**	**(9,121)**	**(315,508)**	**144,314**	**(6,600)**	**7,189,836**

Notes

1) The financial information of the Group is extracted from the unaudited condensed consolidated balance sheet as at 30 June 2020 as set out in the Group's published interim report dated 24 August 2020.

2) The financial information of Jiangmen Yuehai and the Huizhou Target Group are extracted from the audited balance sheet of Jiangmen Yuehai and audited consolidated balance sheet of the Huizhou Target Group as at 31 July 2020 as set out in the Accountant's Report of Jiangmen Yuehai and the Huizhou Target Group included in Appendix II and III respectively to this circular.

Certain amounts extracted are reclassified to conform to the presentation of the consolidated balance sheet of the Group. Such classification is just for the purpose of the illustration of Unaudited Pro Forma Financial Information.

The functional currency and the presentation currency of Jiangmen Yuehai and the Huizhou Target Group are Renminbi ("**RMB**"). For illustrative purpose, the assets and liabilities of Jiangmen Yuehai and the Huizhou Target Group as at 31 July 2020 are translated into HK$, the presentation currency of the Group, at the exchange rate of HK$1 to RMB0.8678. Such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

3) Jiangmen Yuehai Acquisition

The acquisition of Jiangmen Yuehai will be satisfied by cash consideration which comprises:

(i) The settlement of Sale Loan amounted to RMB306,000,000 (equivalent to approximately HK$352,616,000), represented 51% of the outstanding shareholder's loan of RMB600,000,000 as at 31 October 2020, including further loan of RMB100,000,000 drawdown in October 2020.

For illustration purpose of the Unaudited Pro Forma Financial Information, shareholder's loan outstanding as at 31 July 2020 amounted to RMB500,000,000 per the Accountant's Report as set out in the Appendix II of this Circular has been adopted. The corresponding settlement of 51% of the Sale Loan would then be adjusted to RMB255,000,000 (equivalent to approximately HK$293,847,000).

(ii) The Group has conditionally agreed to acquire 51% of the total equity capital of Jiangmen Yuehai at a consideration of RMB648,179,553 (equivalent to approximately HK$746,923,000), of which a sum of RMB194,453,866 (equivalent to approximately HK$224,077,000) representing 30% of the consideration shall be payable within 5 business days from the Jiangmen Effective Date. The remaining balance of consideration shall be payable on the date which is the first anniversary of the Jiangmen Effective Date.

The above consideration shall be subject to a downward adjustment (if any) by an amount equal to the Jiangmen NAV Reduction Value multiplied by 51% in the event that (i) there is a shortfall in the net asset value of Jiangmen Yuehai as shown in the Jiangmen Completion Accounts as compared against the audited net asset value of Jiangmen Yuehai as at 31 August 2020 prepared in accordance with PRC GAAP (such difference in the net asset value shall be referred to as the "Jiangmen NAV Reduction Value"); and (ii) the Jiangmen NAV Reduction Value is greater than or equal to RMB5,000,000.

For illustration purpose of Unaudited Pro Forma Financial Information, the Group does not adjust any amount of the downward adjustment on the consideration to be paid by the Group for the acquisition as the director of the Group considered the impact of downward adjustment will not be significant.

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

	Carrying value as at 31 July 2020	**Allocation adjustment**	**Adjusted carrying value upon completion**
	HK$'000	*HK$'000*	*HK$'000*
Properties, plant and equipment	7	—	7
Properties held for sale under development	1,999,043	(9,121)	1,989,922
Prepayments, deposits and other receivables	388	—	388
Cash and cash equivalents	29,251	—	29,251
Other payables, accruals and provisions	(1,438)	—	(1,438)
Loan from non-controlling interest	(282,323)	—	(282,323)
Non-controlling interest	(993,353)	4,469	(988,884)
Equity consideration of RMB648,179,553 (equivalent to HK$746,923,000)			746,923

4) **Huiyang Yuehai Acquisition**

(i) The Group has conditionally agreed to acquire the entire equity capital of Huiyang Yuehai at a consideration of RMB273,797,700 (equivalent to approximately HK$315,508,000), of which a sum of RMB82,139,310 (equivalent to approximately HK$94,652,000) representing 30% of the consideration shall be payable within 5 business days from the Huizhou Effective Date. The remaining balance of consideration shall be payable on the date which is the first anniversary of the Huizhou Effective Date.

The above consideration shall be subject to a downward adjustment (if any) by an amount equal to the Huizhou NAV Reduction Value multiplied by 94.74% in the event that (i) there is a shortfall in the consolidated net asset value of Huiyang Yuehai as shown in the Huizhou Completion Accounts as compared against the audited consolidated net asset value of Huiyang Yuehai as at 31 August 2020 prepared in accordance with PRC GAAP (such difference in the net asset value shall be referred to as the "Huizhou NAV Reduction Value"); and (ii) the Huizhou NAV Reduction Value is greater than or equal to RMB2,500,000.

For illustration purpose of Unaudited Pro Forma Financial Information, the Group does not adjust any amount of the downward adjustment on the total consideration to be paid by the Group for the acquisition as the director of the Group considered the impact of downward adjustment will not be significant.

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

	Carrying value as at 31 July 2020	**Allocation adjustment**	**Adjusted carrying value upon completion**
	HK$'000	*HK$'000*	*HK$'000*
Properties, plant and equipment	561	—	561
Investment properties	7,544	—	7,544
Completed properties held for sale	5,068	—	5,068
Properties held for sale under development	70,263	144,314	214,577
Prepayments, deposits and other receivables	689	—	689
Cash and cash equivalents	92,044	—	92,044
Other payables, accruals and provisions	(4,354)	—	(4,354)
Deferred tax liabilities	(621)	—	(621)
Equity consideration of RMB273,797,700 (equivalent to HK$315,508,000)			315,508

5) The adjustment represents the estimated legal and professional fees and other expenses of approximately HK$6,600,000 directly attributable to the Acquisitions, which are assumed to be due upon Completion.

6) Since the identifiable assets and liabilities of Jiangmen Yuehai and the Huizhou Target Group at the date of completion may substantially differ from those used in the preparation of this Unaudited Pro Forma Financial Information, the actual result relating to the Acquisitions at the date of completion may be substantially different from the corresponding amounts presented in this Unaudited Pro Forma Financial Information.

7) No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2020, and Jiangmen Yuehai and Huiyang Yuehai subsequent to 31 July 2020.

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

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

To the Directors of Guangdong Land Holdings Limited

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 (collectively the "Group"), 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.) and its subsidiaries and 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.) ("Target 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 assets and liabilities of the Enlarged Group as at 30 June 2020 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages V-2 to V-6 of the Company's circular dated 25 November 2020, in connection with the proposed acquisitions of the Target Group (the "Transactions") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page V-1 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on the Group's financial position as at 30 June 2020 as if the Transactions had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2020, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

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

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 November 2020

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

27th Floor, Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kowloon
Hong Kong

25 November 2020

The Directors
Guangdong Land Holdings Limited
18th Floor, Guangdong Investment Tower
No. 148 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests to be acquired by Guangdong Land Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China ("the **PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 August 2020 ("**valuation date**") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest 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 the property interests in Group I, which is to be acquired by the Group for future development in the PRC, we have valued the properties by direct comparison approach by making reference to comparable sales evidences as available in the market assuming sale with the benefit of vacant possession.

In valuing the property interest in Group II, we have valued on the basis of capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the property.

In valuing the property interest in Group III, we have valued the property interest by the direct comparison approach assuming sale with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC. We have been provided with certain extracts of title documents relating to the property interests in the PRC. 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 in the PRC, we have relied on the legal opinion ("**the PRC legal opinion**") provided by the Company's PRC legal adviser, DeHeng Law Offices (Shenzhen).

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspection, we did not note any serious defects. 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 though in the course of our inspections we did not note any serious defects. 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 their values.

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 interest in the PRC as at 31 August 2020 was HK$1=RMB0.8678. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK$) 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 SAR and has over twenty five years' experiences in valuations of properties in the PRC and Asia Pacific regions.

SUMMARY OF VALUATION

Group I — Property interests to be acquired by the Group for future development in the PRC

	Property	Market Value in existing state as at 31 August 2020
1.	A parcel of land located at Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong Province, the PRC	RMB360,820,000 (equivalent to approximately HK$415,787,000)
2.	Four parcels of land located at the east of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong Province, the PRC	RMB1,759,000,000 (equivalent to approximately HK$2,026,965,000)
	Sub-total	**RMB2,119,820,000 (equivalent to approximately HK$2,442,752,000)**

Group II — Property interest to be acquired by the Group for investment in the PRC

	Property	Market Value in existing state as at 31 August 2020
3.	A clubhouse and a kindergarten on Level 1 of Block 13, Huiyang Lijiang Garden, Baiyun Second Road, Danshui, Huiyang District, Huizhou City, Guangdong Province, the PRC	RMB7,330,000 (equivalent to approximately HK$8,447,000)
	Sub-total:	**RMB7,330,000 (equivalent to approximately HK$8,447,000)**

Group III — Property interest to be acquired by the Group for sale in the PRC

	Property		Market Value in existing state as at 31 August 2020
4.	132 car-parking spaces on Basement Level 1, Basement Car Park South Area, Huiyang Lijiang Garden, Baiyun Second Road, Danshui, Huiyang District, Huizhou City, Guangdong Province, the PRC		RMB8,759,000 (equivalent to approximately HK$10,093,000)
		Sub-total:	**RMB8,759,000 (equivalent to approximately HK$10,093,000)**
		Grand-total:	**RMB2,135,909,000 (equivalent to approximately HK$2,461,292,000)**

VALUATION CERTIFICATES

Group I — Property interests to be acquired by the Group for future development in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2020
1.	A parcel of land located at Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong Province, the PRC	The property comprises a parcel of land with a site area of approximately 30,698 sq.m. The property is planned to be developed into a residential and commercial development which will have a total gross floor area of approximately 92,094 sq.m., comprising (i) approximately 81,469 sq.m. for residential use, (ii) approximately 9,209 sq.m. for commercial use, and (iii) 1,416 sq.m. for ancillary public facilities. The completion of works (竣工備案) for the development is expected to be filed in October 2023. The land use rights of the property have been granted for a term expiring on 9 October 2077 for city and town residential uses.	As inspected, the property was vacant.	RMB360,820,000 (equivalent to approximately HK$415,787,000)

Notes:

1. *According to a Real Property Ownership Certificate (Document No.: Yue (2020) Huizhou City Real Property Ownership No. 4061394), the land use rights of the property having a site area of approximately 30,698 sq.m. have been granted to 惠州市粵海房地產開發有限公司 (Huizhou City Yuehai Property Development Co., Ltd.) for a land use term expiring on 9 October 2077 for city and town residential uses.*

2. *According to a Construction Land Planning Permit (Document No.: 441303202020163), the property with a site area of approximately 30,698 sq.m. was complied with the city and village planning requirement.*

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

   (i) 惠州市粵海房地產開發有限公司 (Huizhou City Yuehai Property Development Co., Ltd.) has obtained the real property ownership of the property and is the legal land user of the property.

   (ii) The property is free from any mortgages, charges and third party encumbrances.

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

(i)	*Real Property Ownership Certificate*	*Yes*
(ii)	*State-owned Land Use Rights Grant Contract*	*Yes*
(iii)	*Construction Land Planning Permit*	*Yes*

5. *The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 3 September 2020.*

6. *In the course of our valuation, we have considered the below comparable land transactions. The details are as follows:*

No.	Land	Site Area (sq.m.)	Use	Transaction Date	Transaction Amount (RMB)
1	A parcel of land located at Luoling, Aotou, Dayawan District, Huizhou City	4,757	City and town residential uses	13 July 2020	48,000,000
2	A parcel of land located at Heqiao Area, Huicheng District, Huizhou City	37,576.04	City and town residential uses	13 July 2020	536,600,000
3	A parcel of land located at Shangyang, Western Area, Dayawan District, Huizhou City	2,064	City and town residential uses	4 March 2020	30,600,000

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2020
2.	Four parcels of land located at the east of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong Province, the PRC	The property comprises four parcels of land, namely Land Plot Nos. 3, 4, 5 and 6, with a total site area of approximately 192,652.34 sq.m. The respective site area is as follows: **Land Plot** / **Site Area (sq.m.)** No. 3 — 40,773.47 No. 4 — 112,717.63 No. 5 — 21,046.42 No. 6 — 18,114.82 Land Plot Nos. 3, 4 and 5 are planned to be developed into a commercial and residential development which will have a total gross floor area of approximately 438,198.02 sq.m., comprising (i) approximately 274,371 sq.m. for residential use, (ii) approximately 119,194.52 sq.m. for commercial use and approximately 3,035 sq.m. for ancillary public facilities. The development is divided into three phases and the whole development is expected to be completed in December 2026. The land use rights of Land Plot Nos. 3, 4 and 5 have been granted for a term expiring on 22 July 2060 for other commercial and service uses and a term expiring on 22 July 2090 for city and town residential uses.	As inspected, the property was vacant.	RMB1,759,000,000 (equivalent to approximately HK$2,026,965,000) (See Note 5 below)

Notes:

1. *According to 3 Real Property Ownership Certificates, the land use rights of Land Plot Nos. 3, 4 and 5 of the property having a total site area of approximately 174,537.52 sq.m. have been granted to 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.). The details are as follows:*

Land Plot	Real Property Ownership Certificate	Site Area (sq.m.)	Use and Land Use Rights Term
No. 3	Yue (2020) Jiangmen City Real Property Ownership No. 0034156	40,773.47	Other commercial and service uses : expiring on 22 July 2060 City and town residential uses : expiring on 22 July 2090
No. 4	Yue (2020) Jiangmen City Real Property Ownership No. 0034334	112,717.63	Other commercial and service uses : expiring on 22 July 2060 City and town residential uses : expiring on 22 July 2090
No. 5	Yue (2020) Jiangmen City Real Property Ownership No. 0034158	21,046.42	Other commercial and service uses : expiring on 22 July 2060 City and town residential uses : expiring on 22 July 2090

2. *According to 3 Construction Land Planning Permits (Document Nos.: 40700202000003, 40700202000004 and 40700202000005), Land Plot Nos. 3, 4 and 5 of the property with a total site area of approximately 174,555 sq.m. were complied with the planning and use control requirements.*

3. *According to the State-owned Land Use Rights Grant Contract (Document No. 440703-2020-000005), Jiangmen Yuehai Land Co., Ltd. ("**Jiangmen Yuehai**") is responsible for negotiating the acquisition of 1,059 sq.m. of personal industrial land on the south side of Land Plot No. 5, and Jiangmen Yuehai shall be responsible for the expenses (including demolition and resettlement). After Jiangmen Yuehai submits the compensation plan to the government for approval but if the above-mentioned industrial land owner still disagrees, the part of the land that has been demolished and compensated can be separately registered for real estate development and construction, and the planning conditions for Land Plot No. 5 will not be adjusted. Jiangmen Yuehai, as the main body for the reconstruction of the Land Plot No. 6, organizes the implementation of the "Three Olds" Renovation. Jiangmen Yuehai shall compensate the owners of the Land Plot No. 6. Jiangmen Yuehai shall be required to complete the demolition and resettlement of the Land Plot No. 6. The residential gross floor area of 20,000 sq.m. reserved in the Land Plot No. 5 land shall not be sold. It is used as compensation for the demolition and resettlement of the residents in the Land Plot No. 6.*

4. *On 24 June 2020, Jiangmen Natural Resources Bureau and Jiangmen Yuehai signed the "Supervision Agreement", stipulating that Jiangmen Yuehai will bid for the Land Plot Nos. 3, 4 and 5 and agree to purchase Land Plot No. 6 after the transformation of the Land Plot No. 6. The site area of the Land Plot No. 6 is approximately 18,114.82 sq.m., which was for medical and health, and commercial service uses. The details involving demolition and resettlement are as follows:*

Types of demolition and resettlement	Site Area (sq.m.)	Details
Jiangmen Sugarcane Chemical Plant Land	4,149.80 (partly across Land Plot No. 5)	The compensation for above-ground buildings was RMB34,794,116. Jiangmen Yuehai and the City Enterprise Asset Management Co., Ltd. signed a compensation agreement.
The land used by the Land Reserve Centre	8,950.46	The compensation was RMB4,056,641.91. Jiangmen Yuehai and the Land Reserve Center signed a compensation agreement.
Industrial land registered to individuals	239 (gross floor area of 492.09 sq.m., across the planning area of Land Plot Nos. 5 and 6)	After the bidder submits the compensation plan to the government for approval but the above-mentioned industrial land owner still disagrees, the portion of the land which has been demolished and compensated can be registered separately for real estate development.
The land occupied by the original residential owners	2,713.84 (gross floor area of approximately 15,972.12 sq.m.)	Jiangmen Yuehai needs to negotiate with the original residential owners for the compensation and resettlement and signs compensation and resettlement agreements before signing the land use right grant contract of Land Plot No. 6.

In addition, the "Supervision Agreement" also stipulated the following agreement regarding the implementation of the "Three Old" Renovation on the Land Plot No. 6. Before Jiangmen Yuehai completed the demolition and resettlement on the Land Plot No. 6, it is agreed to reserve 20,000 sq.m. of residential gross floor area, which shall not be sold, in the Land Plot No. 5. The estimated amount of the relevant compensation costs is about RMB160,000,000.

5. *In the course of our valuation, we have ascribed commercial value to Land Plot Nos. 3, 4 and 5 only and have taken into account of the resettlement and compensation requirements stated in above Notes 3 and 4. The market value of Land Plot Nos. 3, 4 and 5 as at the valuation date is RMB 1,759,000,000.*

6. *Since State-owned Land Use Rights Grant Contract and Real Property Ownership Certificate were not issued for Land Plot No. 6 of the property as at the valuation date, we have ascribed no commercial value to Land Plot No. 6. Had the State-owned Land Use Rights Grant Contract use Certificate and the Real Property Ownership Certificate been issued for Land Plot No. 6 as at the valuation date, we are of the opinion that the market value of Land Plot No. 6 is RMB26,300,000 assuming that all land-use rights grant premium was fully settled and the property could freely be transferred, leased out, mortgaged or by other legal means disposed of in the prevailing market without paying additional land-use rights grant premium.*

7. *Jiangmen Yuehai acquired the land use rights to the Land Plot Nos. 3, 4 and 5 from the government in June 2020. The acquisition cost is approximately RMB1,683,650,000 (equivalent to approximately HK$1,940,136,000). The relevant payments in respect of the up-front development costs of the development is approximately RMB53,201,000 (equivalent to approximately HK$61,306,000) as at 31 August 2020.*

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

   (i) *江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.) has obtained the real property ownership of the Land Plot Nos. 3, 4 and 5 of the property and is the legal land user of Land Plot Nos. 3, 4 and 5.*

   (ii) *Except the encumbrances mentioned in above Notes 3 and 4, the property is free from any mortgages, charges and third party encumbrances.*

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

(i)	Real Property Ownership Certificate	Yes, Land Plot Nos. 3, 4 and 5
(ii)	State-owned Land Use Rights Grant Contract	Yes, Land Plot Nos. 3, 4 and 5
(iii)	Construction Land Planning Permit	Yes, Land Plot Nos. 3, 4 and 5

10. *As advised by the Company, pursuant to the relevant State-owned Land Use Rights Grant Contract, Jiangmen Yuehai Land Co., Ltd. will bear the obligations under the encumbrances of the property.*

11. *The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 1 September 2020.*

12. *In the course of our valuation, we have considered the below comparable land transactions. The details are as follows:*

No.	Location	Site Area (sq.m.)	Use	Transaction Date	Transaction Amount (RMB)
1	A parcel of land located at the south of Huasheng Road, Pengjiang District, Jiangmen City	49,457.60	City and town residential uses and commercial uses	24 July 2020	715,580,000
2	A parcel of land located at the east of Shitou Road, Pengjiang District, Jiangmen City	39,476.56	City and town residential uses and commercial uses	24 July 2020	548,280,000
3	A parcel of land located at Dawanli, Licun, Pengjiang District, Jiangmen City	32,808.05	City and town residential uses and commercial uses	29 May 2020	427,520,000

Group II — Property interest to be acquired by the Group for investment in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2020
3.	A clubhouse and a kindergarten on Level 1 of Block 13, Huiyang Lijiang Garden, Baiyun Second Road, Danshui, Huiyang District, Huizhou City, Guangdong Province, the PRC	The property comprises a clubhouse and a kindergarten completed in 2008. The clubhouse has a gross floor area of approximately 1,244.34 sq.m. and the kindergarten has a gross floor area of approximately 454.27 sq.m. The land use rights of the property were granted for a term expiring on 13 April 2063 for commercial and residential uses.	As inspected, the clubhouse was vacant and the kindergarten was subject to a tenancy for a term commencing on 1 July 2020 and expiring on 31 December 2027 at a monthly rent of RMB 10,692.5 as at the valuation date for kindergarten use.	RMB7,330,000 (equivalent to approximately HK$8,447,000

Notes:

1. *According to a 商品房屋產權權屬證明書 (Commodity House Ownership Certificate) (Document No.: 1110104375), the ownership of the clubhouse with a gross floor area of approximately 1,244.34 sq.m. is vested in 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.).*

2. *According to a 商品房屋產權權屬證明書 (Commodity House Ownership Certificate) (Document No.: 9025), the ownership of the kindergarten with a gross floor area of approximately 454.27 sq.m. is vested in 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.).*

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

   (i) *惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.) has obtained the real property ownership of the property and is the legal land user of the property.*

   (ii) *The property is free from any mortgages, charges and third party encumbrances.*

4. *The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 3 September 2020.*

Group III — Property interest to be acquired by the Group for sale in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2020
4.	132 car-parking spaces on Basement Level 1, Basement Car Park South Area, Huiyang Lijiang Garden, Baiyun Second Road, Danshui, Huiyang District, Huizhou City, Guangdong Province, the PRC	The property comprises 132 car-parking spaces on basement completed in 2008. The property has a total gross floor area of approximately 1,590 sq.m. The land use rights of the property were granted for a term expiring on 13 April 2063 for commercial and residential uses.	As inspected, the property was vacant.	RMB8,759,000 (equivalent to approximately HK$10,093,000)

Notes:

1. *According to 132 商品房屋產權權屬證明書 (Commodity House Ownership Certificate), the ownership of the property with a total gross floor area of approximately 1,590 sq.m. is vested in 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.).*

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

   (i) *惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.) has obtained the real property ownership of the property and is the legal land user of the property.*

   (ii) *The property is free from any mortgages, charges and third party encumbrances.*

3. *The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 3 September 2020.*

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 (i) 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 (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests and short positions in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Alan Howard SMITH	Personal	317,273	Long position	0.019%
Vincent Marshall LEE Kwan Ho	Corporate	1,000,000	Long position	0.058%

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) Interests and short positions in Guangdong Investment Limited

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
XU Yeqin	Personal	301,200	Long position	0.005%

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

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 (i) 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 of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) 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 is 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 required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Type of securities	Number of Shares held	Long/Short position	Approximate percentage of interests held (Note 1)
廣東粵海控股集團有限公司 (Guangdong Holdings Limited) (Note 2)	Shares	1,263,494,221	Long position	73.82%
GDH Limited (Note 2)	Shares	1,263,494,221	Long position	73.82%
Guangdong Investment Limited	Shares	1,263,494,221	Long position	73.82%

Notes:

1. *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.*

2. *The attributable interest which 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) ("**Guangdong Holdings**") has in the Company is held through its wholly-owned subsidiary, namely GDH Limited ("**GDH**"), and the attributable interest of the latter is held through its subsidiary, GDI.*

3. *As at the Latest Practicable Date, the following Directors held the following positions in Guangdong Holdings and GDH:*

Name of Director	***Position held in Guangdong Holdings***	***Position held in GDH***
XU Yeqin	*assistant general manager*	*assistant general manager*
WU Mingchang	*general counsel*	*general counsel*
ZHU Guang	*deputy general manager of investment and capital operations department*	*deputy general manager of investment and capital operations department*

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%
廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.)	廣州粵海置地投資有限公司 (Guangzhou Yuehai Land Investment Limited)	Long position	49%

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, there was no other person, other than a Director 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

(i) 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 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	Nature of interest
LI Yonggang	廣東粵港投資開發有限公司(Guangdong Yuegang Investment Development Co., Ltd.)*	chairman and managing director
	GDH Real Estates (China) Limited#	director and managing director
	廣州市萬亞投資管理有限公司(Guangzhou City Wanye Investment Management Company Limited)@	chairman
	廣州市朝粵房地產有限公司(Guangzhou Chaoyue Real Estate Co., Ltd.)#	director
ZHANG Jun	廣東粵港投資開發有限公司(Guangdong Yuegang Investment Development Co., Ltd.)*	director
	GDH Real Estates (China) Limited#	director
	廣東粵海城市投資有限公司(Guangdong Yuehai City Investment Co., Ltd.)*	director
	廣州粵海天河城投資有限公司(Guangzhou Yuehai Teem Investment Limited)@	director
	廣州南沙粵海地產有限公司(Guangzhou Nansha Yuehai Real Estates Limited)#	director

* *Subsidiary of Guangdong Holdings*

\# *Subsidiary of GDH*

@ *Subsidiary of GDI*

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.

(ii) 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 2019 (being the date to which the latest published audited accounts of the Company were made up).

(iii) 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

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:

(i) the Jiangmen Equity and Loan Transfer Agreement;

(ii) the Huizhou Equity Transfer Agreement;

(iii) the Guangdong Land Building Works Main Contractor Construction Agreement (粵海置地大廈建築施工總承包工程合同) dated 18 November 2019 and entered into between Guangdong Land Shenzhen and China Construction Eighth Engineering Division Corp. Ltd. (中國建築第八工程局有限公司) in respect of the main contractor construction of the southern part of the GDH City Land (designated as land number H409-0011) (the "**Southern Land**"), at the total consideration of RMB626,083,681.73 (equivalent to approximately HK$721,461,000), subject to adjustments (if any) in accordance with the terms of the said agreement;

(iv) the Yuecai City Northern Land Works Main Contractor Construction Agreement Section I Contract (悅彩城(北地塊)建築施工總承包工程合同第一合同段) and the Yuecai City Northern Land Works Main Contractor Construction Agreement Section II Contract (悅彩城(北地塊)建築施工總承包工程合同第二合同段), each dated 11 September 2019 and entered into between Guangdong Land Shenzhen and China Construction Eighth Engineering Division Corp. Ltd. (中國建築第八工程局有限公司) in respect of the main contractor construction of the northern part of the GDH City Land (designated as land number H409-0092) (the "**Northern Land**"), at the total consideration of RMB503,017,553.96 (equivalent to approximately HK$579,647,000), subject to adjustments (if any) in accordance with the terms of the said agreements;

(v) the professional contractor agreement for foundation pit support as well as earth and stone and piling works implementation in relation to Guangdong Land Building (粵海置地大廈基坑支護與土石方及樁基礎工程專業承包合同) entered into between Guangdong Land Shenzhen and 上海市基礎工程集團有限公司 (Shanghai Foundation Engineering Group Co., Ltd.), on 6 September 2018 in respect of the works of foundation pit support as well as earth-and-stone and piling works for properties on the Southern Land, amended by the supplemental agreement on 4 July 2019 in respect of an increase of consideration, at the total consideration of RMB131,149,359.56 (equivalent to approximately HK$151,129,000);

(vi) the professional contractor agreement for foundation pit support as well as earth and stone and piling works implementation in relation to Yuecai City Northern Land (悅彩城北地塊基坑支護與土石方及樁基礎工程專業承包合同) entered into between Guangdong Land Shenzhen and 中國京冶工程技術有限公司 (China Jingye Engineering Technology Co., Ltd), on 29 June 2018 in respect of the works of foundation pit support as well as earth-and-stone and piling works for properties on the Northern Land, amended by the supplemental agreement on 4 July 2019 in respect of an increase of consideration, at the total consideration of RMB170,915,017.56 (equivalent to approximately HK$196,952,000); and

(vii) the agreement dated 21 December 2018 entered into between Guangdong Land Shenzhen and 深圳市規劃和國土資源委員會 (Urban Planning, Land and Resources Commission of Shenzhen Municipality) in relation to the increase of the gross floor area of the underground commercial area in the Northern Land from 9,000 sq. m. to 21,000 sq. m. at the consideration of RMB470,010,000 (equivalent to approximately HK$541,611,000).

8. EXPERTS AND CONSENTS

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

Name	Qualification
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
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Vigers Appraisal and 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 letter 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 were not beneficially interested in the share capital of 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 2019 (being the date to which the latest published audited accounts of the Company were made up).

9. GENERAL

(i) The company secretary of the Company is Ms. Christine MAK Lai Hung, an associate of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), the United Kingdom and The Hong Kong Institute of Chartered Secretaries;

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

(iii) 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;

(iv) The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited which is located at 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda; and

(v) The Hong Kong branch share registrar and the transfer office of the Company is Tricor Tengis Limited situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business in Hong Kong of the Company at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including 8 December 2020:

(i) the Jiangmen Equity and Loan Transfer Agreement;

(ii) the Huizhou Equity Transfer Agreement;

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

(iv) the annual reports of the Company for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020;

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

(vi) the letter from the Independent Board Committee, the text of which is set out on page 25 of this circular;

(vii) 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 26 to 50 of this circular;

(viii) the accountant's report prepared by PricewaterhouseCoopers with respect to Jiangmen Yuehai, the text of which is set out in Appendix II of this circular;

(ix) the accountant's report prepared by PricewaterhouseCoopers with respect to the Huizhou Target Group, the text of which is set out in Appendix III of this circular;

(x) the unaudited pro forma financial information of the Enlarged Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix V of this circular;

(xi) the valuation report prepared by Vigers Appraisal and Consulting Limited with respect to the valuation of (i) the Jiangmen Land; (ii) the Huizhou Land and (iii) certain properties in Huiyang Lijiang Garden which are owned by Huiyang Yuehai, respectively, as at 31 August 2020, the text of which is set out in Appendix VI of this circular;

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

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

(xiv) this circular.

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

(Incorporated in Bermuda with limited liability)
(Stock Code: 00124)

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 1, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 15 December 2020 at 10:30 a.m. for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company. Unless otherwise specified, capitalised terms defined in the circular dated 25 November 2020 issued by the Company shall have the same meanings when used herein.

ORDINARY RESOLUTIONS

1. "**THAT:**

   (a) the Jiangmen Equity and Loan Transfer Agreement dated 29 October 2020, a copy of which is marked "A" and produced to the SGM and initialled by the chairman of the SGM for the purpose of identification, and entered into between Guangdong Land Shenzhen (as purchaser), Yuegang Investment (as vendor) and Jiangmen Yuehai (as target company) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) any Director be and is hereby authorised to sign, execute and deliver all such documents and take all such actions and steps and do such acts, matters and things as he/she may consider necessary, appropriate, desirable or expedient to give full effect to this resolution, and for the purposes of or in connection with the Jiangmen Acquisition, the Jiangmen Equity and Loan Transfer Agreement and the transactions contemplated thereunder, or the implementation of any of them."

2. "**THAT:**

   (a) the Huizhou Equity Transfer Agreement dated 29 October 2020, a copy of which is marked "B" and produced to the SGM and initialled by the chairman of the SGM for the purpose of identification, and entered into between Guangdong Land Shenzhen (as purchaser), and GDH (Hui Yang) and Yuegang Investment (as vendors) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any Director be and is hereby authorised to sign, execute and deliver all such documents and take all such actions and steps and do such acts, matters and things as he/she may consider necessary, appropriate, desirable or expedient to give full effect to this resolution, and for the purposes of or in connection with the Huizhou Acquisition, the Huizhou Equity Transfer Agreement and the transactions contemplated thereunder, or the implementation of any of them."

By Order of the Board
Guangdong Land Holdings Limited
XU Yeqin
Chairman

Hong Kong, 25 November 2020

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 a proxy to attend and vote in his place and such proxy needs not be a Shareholder. A Shareholder holding two or more shares may appoint more than one proxy.

(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) 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 54, 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 registered during the period from Thursday, 10 December 2020 to Tuesday, 15 December 2020, both days inclusive, for determining the Shareholders' eligibility to attend and vote at the SGM to be held on Tuesday, 15 December 2020.

(e) In order to qualify for attending and voting at the SGM, unregistered holders of Shares 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 9 December 2020.

(f) Pursuant to Rule 13.39(4) of the Listing Rules, each of the resolutions set out in this notice will be voted by way of a poll.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In consideration of the outbreak of the Novel Coronavirus (COVID-19), the following precautionary measures might be implemented by the Company at the SGM:

- Compulsory body temperature check
- Mandatory wearing of surgical face mask and maintaining a safe distance between seats
- Mandatory health declaration
- No provision of refreshment or drinks and no distribution of corporate gifts

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Hong Kong Government on the date of the SGM will be denied entry into the SGM venue.

The Company suggests that Shareholders appoint the Chairman of the SGM as his/her proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.