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

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

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET GROUP HOLDING SHANGHAI PROJECTS AND THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 21 of this circular and a letter from the Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from Somerley, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 52 of this circular.

A notice convening the EGM to be held at Victoria II, 2/F, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Friday, 10 August 2018 at 10:30 a.m. is set out on pages 75 to 76 of this circular. A form of proxy for the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*) and the Company (*http://www.jiayuanintl.com*).

Whether or not you intend to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:30 a.m. on Wednesday, 8 August 2018). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

26 July 2018

CONTENTS

Page

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

"Acquisition"	the acquisition of the Sale Share by the Company from Mr. Shum pursuant to the terms and conditions set out in the Sale and Purchase Agreement
"associate(s)"; "connected person(s)"; "controlling shareholder(s)"; and "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday and a Sunday) on which banks in Hong Kong are normally open for banking business to the public
"BVI"	the British Virgin Islands
"Company"	Jiayuan International Group Limited (佳源國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 2768)
"Completion"	the completion of the Acquisition
"Consideration"	the total consideration of HK$693,628,828 for the Acquisition
"Consideration Shares"	the 19,566,400 new Shares to be allotted and issued by the Company to Mr. Shum or his nominee(s)
"Deed of Non-competition"	the deed of non-competition dated 12 February 2016 and entered into by Mingyuan Investment and Mr. Shum with and in favour of the Company (for itself and on behalf of its subsidiaries), further details of which are set out in the Prospectus
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang, which has been established to make recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
"Independent Shareholders"	Shareholders who are not required to abstain under the Listing Rules from voting at the EGM for the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
"Issue Price"	HK$14.18 per Consideration Share
"Latest Practicable Date"	19 July 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mingyuan Investment"	Mingyuan Group Investment Limited (明源集團投資有限公司), a company incorporated under the laws of the BVI with limited liability, which is interested in approximately 55.06% of the issued share capital of the Company as at the Latest Practicable Date
"Mr. Shum"	Mr. Shum Tin Ching, the chairman, the non-executive Director and the ultimate controlling shareholder of the Company
"Non-Target City(ies)"	various cities in the PRC where companies controlled by Mr. Shum from time to time (other than members of the Group) shall operate property development projects exclusively pursuant to the Deed of Non-competition, further details of which are set out in the Prospectus
"PRC"	the People's Republic of China, and for the purpose of this circular only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Private Group"	has the meaning ascribed to it under the paragraph headed "Reasons for the Acquisition" in this circular
"Prospectus"	the prospectus of the Company dated 26 February 2016
"Reorganisation"	such arrangement and restructuring of companies comprising the Target Group to be undertaken and/or procured by Mr. Shum pursuant to the terms of the Sale and Purchase Agreement, further details of which are set out in the paragraph headed "Reorganisation" in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 5 June 2018 and entered into between the Company and Mr. Shum in relation to the Acquisition
"Sale Share"	one (1) share of the Target Company, representing 100% of the issued share capital of the Target Company

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Projects"	the property development projects located at Shanghai of the PRC held by the Target Group, details of which are set out in the paragraph headed "Information of the Target Group and the Shanghai Projects" in this circular
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Specific Mandate"	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target City(ies)"	the various cities in the PRC where the Group shall operate property development projects exclusively pursuant to the Deed of Non-competition, further details of which are set out in the Prospectus
"Target Company"	Huyuan Holdings Limited (滬源控股有限公司), a company incorporated under the laws of the BVI with limited liability
"Target Group"	the Target Company and its subsidiaries upon completion of the Reorganisation
"%"	per cent.

For the purpose of this circular and for illustrative purpose only, RMB is converted into HK$ at the rate of RMB1 : HK$1.2233. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2768)

Non-executive Director:
Mr. Shum Tin Ching *(Chairman)*

Executive Directors:
Mr. Huang Fuqing *(Vice Chairman)*
Ms. Cheuk Hiu Nam *(Chief Executive Officer)*
Mr. Wang Jianfeng

Independent non-executive Directors:
Mr. Tai Kwok Leung, Alexander
Dr. Cheung Wai Bun, Charles, *JP*
Mr. Gu Yunchang

Registered Office:
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal Place of Business in the PRC:
No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

Headquarters:
Room 1403
9 Queen's Road Central
Hong Kong

26 July 2018

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 5 June 2018 in respect of, among other things, that on 5 June 2018, the Company entered into the Sale and Purchase Agreement with Mr. Shum whereby the Company conditionally agreed to acquire and Mr. Shum conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company at a consideration of HK$693,628,828, which will be settled (i) as to HK$277,451,552 by the allotment and issue of the 19,566,400 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$14.18 per Consideration Share; and (ii) as to HK$416,177,276 in cash.

The purpose of this circular is to provide you with, among other things:

(i) the particulars of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate);

(ii) the letter from the Independent Board Committee with its recommendation on the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) to the Independent Shareholders; and

(iii) the letter from the Independent Financial Adviser with its advice on the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) to the Independent Board Committee and the Independent Shareholders,

as well as to seek the approval of the Independent Shareholders in respect of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

SALE AND PURCHASE AGREEMENT

Date

5 June 2018

Parties

1. The Company, as purchaser; and

2. Mr. Shum, as vendor.

Subject matter to be acquired

The Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company. The Company has the right to nominate and designate a wholly-owned subsidiary to take up the Sale Share upon Completion.

Pursuant to the Sale and Purchase Agreement, Mr. Shum agreed to procure the implementation of the Reorganisation, and completion of which is a condition precedent to Completion. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and project companies holding the Shanghai Projects. Further information of the Target Group and the Reorganisation is set out in the paragraphs headed "Reorganisation" and "Information of the Target Group and the Shanghai Projects", respectively, in this circular.

Consideration

The Consideration for the Acquisition is HK$693,628,828, which will be settled by the Company in the following manners upon Completion:

(i) as to HK$277,451,552 shall be settled by the allotment and issue of the 19,566,400 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$14.18 per Consideration Share; and

(ii) as to HK$416,177,276 shall be paid by the Company to Mr. Shum in cash which will be funded by the internal resources of the Group and/or bank borrowings.

The Company intends to settle the cash portion of the Consideration in the amount of approximately HK$416 million in the following manner: (i) as to approximately HK$374 million (approximately 90%) by the Group's internal resources; (ii) as to approximately HK$42 million (approximately 10%) by bank borrowings. As at the Latest Practicable Date, the Company has not approached any commercial bank for bank borrowings. If bank borrowings is not available by the date of Completion, the Company will fund the cash portion of the Consideration in full by the Group's internal resources.

The Consideration has been arrived at after arm's length negotiations between the parties, having taken into account of, among other factors, (i) the preliminary appraised value of the Shanghai Projects as at 31 March 2018 in the amount of RMB1,759,895,000 (equivalent to approximately HK$2,152,879,554) appraised by an independent property valuer engaged by the Company; (ii) the pro forma assets and liabilities of the Target Group assuming the Reorganisation had been completed as of 30 April 2018; (iii) the retained profit of the Target Group in the amount of RMB622,915,567 (equivalent to approximately HK$762,012,613) as of 30 April 2018 declared and distributed as dividend prior to Completion; and (iv) the acquisition of a 90% equity interest in the Target Group.

The following table sets forth the reconciliation between (i) the appraised value of the Shanghai Projects as at 31 March 2018 in the amount of RMB1,759,895,000 (equivalent to approximately HK$2,152,879,554); and (ii) the Consideration in the amount of HK$693,628,828:

	Approximately *(HK$)*
Appraised value of the Shanghai Projects as at 31 March 2018	2,152,879,554
Add:	
Unaudited pro forma net asset value of the Target Group (excluding unaudited book value of the Shanghai Projects as at 30 April 2018)	1,172,430,077
Less:	
Unaudited book value of the Shanghai Projects as at 30 April 2018	1,672,504,575
Less:	
Deferred PRC taxes	120,093,745
Less:	
Payout of the retained profit of the Target Group as of 30 April 2018 declared and distributed as dividend prior to Completion	762,012,613
Less:	
Minority interest of the Target Group (10%)	77,069,870
Equal:	
Consideration	693,628,828

There is no adjustment clause to the Consideration provided under the Sale and Purchase Agreement, as the Consideration was determined by reference to, among other factors, the net asset value of the Target Group as of 30 April 2018.

As the business of the Target Group will be conducted in its ordinary and usual course of business from the date of the Sale and Purchase Agreement to the date of Completion (which is currently expected to be on or before 15 August 2018) as undertaken by the vendor under the Sale and Purchase Agreement and it is expected that there will be no material change in the net asset value of the Target Group as of the date of Completion, as compared to 30 April 2018, the Company is of the view that an adjustment clause to the Consideration is not necessary in the circumstances.

According to the property valuation report set out in Appendix I to this circular, the appraised value of the Shanghai Projects as at 31 May 2018 was RMB1,725,100,000 (equivalent to approximately HK$2,110,314,830). The decrease in the appraised value of the Shanghai Projects as at 31 May 2018 as compared to 31 March 2018 was mainly due to the decrease in the quantities and total gross floor area of the Shanghai Projects under valuation due to the sales of certain unsold units and the transfer of the pre-sold units in the ordinary and usual course of the business of the Target Group. The Target Group recognised net profits as a result of the aforementioned sales and transfer. For further details, please refer to the property valuation report set out in Appendix I and the paragraph headed "Principal Factors and Reasons Considered — 5. Consideration" in the letter from Somerley of this circular.

The Consideration Shares

The 19,566,400 Consideration Shares represent approximately 0.80% of the issued share capital of the Company as at 5 June 2018 and approximately 0.79% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between 5 June 2018 and the allotment and issue of the Consideration Shares).

The Issue Price of HK$14.18 per Consideration Share represents:

(i) a discount of approximately 3.54% to the closing price per Share of HK$14.70 as quoted on the Stock Exchange on 5 June 2018, being the date of the Sale and Purchase Agreement;

(ii) a discount of approximately 5.79% to the average closing price per Share of HK$15.05 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;

(iii) a discount of approximately 7.49% to the average closing price per Share of HK$15.33 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Sale and Purchase Agreement; and

(iv) a discount of approximately 1.12% to the average closing price per Share of HK$14.34 as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined on an arm's length basis between the Company and Mr. Shum and was arrived at a 7% discount to the average closing price per Share of approximately HK$15.25 as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the Issue Price is fair and reasonable.

Conditions precedent

Completion is conditional upon fulfilment or, where applicable, waiver of the following conditions:

(i) the Reorganisation having been completed pursuant to the Sale and Purchase Agreement;

(ii) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules;

(iii) the approval for the listing of, and permission to deal in, the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;

(iv) all necessary consents, if any, from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and

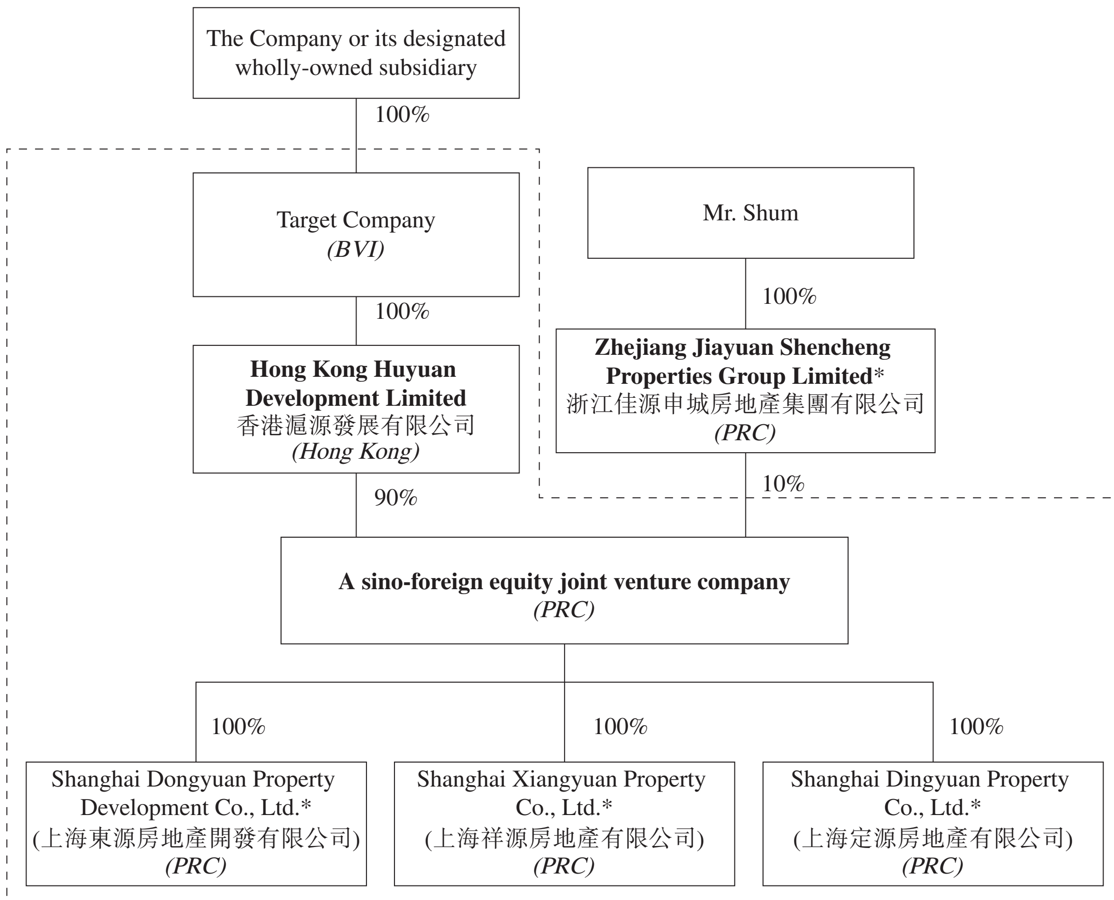
(v) the Company having satisfied with the due diligence results of the Target Group in all respects.

As at the Latest Practicable Date, none of conditions precedents set out above has been fulfilled. If any of the conditions set out above has not been satisfied or waived by the Company (other than conditions (i), (ii) and (iii) which may not be waived) on or before 30 September 2018 or such other date as the parties may agree, the Sale and Purchase Agreement will be terminated unless the parties otherwise agree.

Reorganisation

Pursuant to the Reorganisation, Mr. Shum shall procure the injection of the Shanghai Projects into a PRC limited liability company, the equity interest of which will be held as to 90% by the Target Company and 10% by a company ultimately wholly owned by Mr. Shum. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and project companies holding the Shanghai Projects. The Group will via the Target Group hold a 90% equity interest in the Shanghai Projects.

Set out below is a chart showing the corporate and shareholding structure of the Target Group immediately after Completion:



The Target Group companies.

* *for identification purposes only*

Completion

Completion shall take place on the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or waived or such other day as the parties may agree. It is currently expected that Completion will take place on or before 15 August 2018.

EFFECT OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Acquisition:

Shareholders	**As at the Latest Practicable Date**		**Immediately after Completion and the allotment and issue of the Consideration Shares in full(2)**	
	Number of Shares	*approximately %(3)*	*Number of Shares*	*approximately %(3)*
Mr. Shum and his associate(s)(1)	1,350,000,000	55.06	1,369,566,400	55.41
Public Shareholders	1,102,000,000	44.94	1,102,000,000	44.59
Total	2,452,000,000	100.00	2,471,566,400	100.00

Notes:

1. 1,350,000,000 Shares are held by Mingyuan Investment, which is 100% owned by Mr. Shum.

2. The figures above assume that other than the Consideration Shares, no further Shares are issued or repurchased by the Company, and no Shares are sold or purchased by Mr. Shum or his associate(s), in each case on or after 5 June 2018 and up to the date the allotment and issue of the Consideration Shares.

3. The percentage figures included in this table are subject to rounding adjustment.

GENERAL INFORMATION OF THE PARTIES

Information of the Group

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in Jiangsu Province, the PRC. The principal activities of the Group include (i) the development and sale of residential and commercial properties; (ii) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (iii) the leasing of commercial properties owned or developed by the Group.

Information of the vendor

Mr. Shum, is the chairman of the Board, the non-executive Director and the ultimate controlling shareholder of the Company.

INFORMATION OF THE TARGET GROUP AND THE SHANGHAI PROJECTS

The following table sets out the unaudited combined pro forma financial information of the Target Group prepared based on their respective unaudited management accounts in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 December 2016 and 2017, respectively:

	Year ended 31 December	
	2016	**2017**
	Approximately (RMB)	*Approximately (RMB)*
Net profit before taxation and extraordinary items	134 million (equivalent to approximately HK$164 million)	550 million (equivalent to approximately HK$673 million)
Net profit after taxation and extraordinary items	100 million (equivalent to approximately HK$122 million)	415 million (equivalent to approximately HK$507 million)

As at 30 April 2018, the unaudited combined pro forma net asset value of the Target Group was approximately RMB958 million (equivalent to approximately HK$1,172 million), which comprised:

(i) the unaudited pro forma total assets of the Target Group of approximately RMB2,062 million (equivalent to approximately HK$2,522 million), the major components of which were:

(a) investment properties at cost of approximately RMB829 million (equivalent to approximately HK$1,014 million);

(b) inventories of approximately RMB538 million (equivalent to approximately HK$658 million);

(c) prepaid design cost of approximately RMB347 million (equivalent to approximately HK$425 million); and

(d) prepaid construction cost of approximately RMB293 million (equivalent to approximately HK$358 million),

(ii) the unaudited pro forma total liabilities of the Target Group of approximately RMB1,103 million (equivalent to approximately HK$1,350 million), the major components of which were:

(a) long term bank borrowings of approximately RMB881 million (equivalent to approximately HK$1,078 million);

(b) tax payable of approximately RMB112 million (equivalent to approximately HK$137 million); and

(c) deferred tax liability of approximately RMB98 million (equivalent to approximately HK$120 million).

The major profit contributor of the Target Group was the revenue generated from the sales of inventories of the Shanghai Projects, which were in the amount of approximately RMB1,184 million (equivalent to approximately HK$1,449 million) and approximately RMB1,306 million (equivalent to approximately HK$1,598 million) for the two financial years ended 31 December 2016 and 2017, respectively.

The rental income generated from the investment properties of the Shanghai Projects for the year ended 31 December 2017 was in the amount of approximately RMB45 million (equivalent to approximately HK$55 million). There was no rental income generated for the year ended 31 December 2016.

Shanghai Projects

The Target Group holds three property development projects (the "**Shanghai Projects**") located in Shanghai, the PRC, which comprise:

(i) Huijing Huating (上海 • 滙景華庭)

Huijing Huating is located at No. 299 Gangjia Road, Situan Town, Fengxian District, Shanghai, the PRC. It occupies a parcel of land with a site area of approximately 30,711 square meters, which has been developed into a residential and commercial property. The project was completed in 2017.

As of 31 May 2018, Huijing Huating had remaining units of a total gross floor area of approximately 47,204 square meters, which comprised:

(i) pre-sold units (subject to transfer) of approximately 239 square meters;

(ii) unsold units of approximately 39,121 square meters; and

(iii) commercial units held as investment properties of approximately 7,844 square meters.

After Completion, the Group intends to sell the unsold units of approximately 39,121 square meters on or before 2020 and hold the commercial units held as investment properties of approximately 7,844 square meters for rental purposes.

(ii) Fengcheng Mingdu (上海 • 奉成名都)

Fengcheng Mingdu is located at Lane 3069 Lanbo Road, Fengxian District Shanghai, the PRC. It occupies three parcels of land with a site area of approximately 34,000 square meters, which has been developed into a residential and commercial property. The project was completed in 2015.

As of 31 May 2018, Fengcheng Mingdu had remaining units of a total gross floor area of approximately 20,904 square meters, which comprised:

(i) pre-sold units (subject to transfer) of approximately 130 square meters;

(ii) unsold units of approximately 7,153 square meters; and

(iii) commercial units held as investment properties of approximately 13,621 square meters.

After Completion, the Group intends to sell the unsold units of approximately 7,153 square meters on or before 2020 and hold the commercial units held as investment properties of approximately 13,621 square meters for rental purposes.

(iii) Jiayuan Dream Square (佳源夢想廣場)

Jiayuan Dream Square is located at the western side of Jinhai Road and the northern side of Fengzhe Road, Fengxian District Shanghai, the PRC. It occupies a parcel of land with a site area of approximately 157,690 square meters which are/will be developed into five phases. Phase I comprises retail buildings, underground car parking spaces and a commercial building. Phases II and III comprise residential buildings and underground parking spaces. Phases IV and V comprise remaining bare land for future development.

As of 31 May 2018, Jiayuan Dream Square Phases I, II and III had remaining units of a total gross floor area of approximately 115,891 square meters, which comprised:

(i) pre-sold units (subject to transfer) of approximately 13,370 square meters;

(ii) unsold units of approximately 88,734 square meters; and

(iii) commercial units held as investment properties of approximately 13,787 square meters.

After Completion, the Group intends to sell the unsold units of approximately 88,734 square meters on or before 2020 and hold the commercial units held as investment properties of approximately 13,787 square meters for rental purposes.

As of the Latest Practicable Date, Phases IV and V consist of remaining bare land with a site area of approximately 46,077 square meters for future development. The Group currently intends to develop the bare land for residential and commercial uses. The development of the bare land is expected to commence in the first quarter of 2019 and is expected to complete in the third quarter of 2020.

In accordance with the current development plan, the estimated future development costs and expenses for developing the bare land are approximately RMB150 million (equivalent to approximately HK$183 million) and approximately RMB241 million (equivalent to approximately HK$295 million) for the two years ending 31 December 2019 and 2020, respectively.

The estimated future development costs and expenses above comprise, among other matter:

(i) construction and renovation costs (including building materials) of approximately RMB112 million (equivalent to approximately HK$137 million) and approximately RMB181 million (equivalent to approximately HK$221 million) for the two years ending 31 December 2019 and 2020, respectively;

(ii) finance costs and interest expenses of approximately RMB23 million (equivalent to approximately HK$28 million) and approximately RMB38 million (equivalent to approximately HK$47 million) for the two years ending 31 December 2019 and 2020, respectively; and

(iii) selling, administrative and other expenses of approximately RMB15 million (equivalent to approximately HK$18 million) and approximately RMB22 million (equivalent to approximately HK$27 million) for the two years ending 31 December 2019 and 2020, respectively.

The Group currently intends to fund the above future development costs and expenses by way of internal resources of the Group and/or bank borrowings. As at the Latest Practicable Date, the Group has not approached any commercial bank for bank borrowings. If bank borrowings is not available by the time when the relevant development costs and expenses is incurred, the Company will fund the relevant development costs and expenses by the Group's internal resources.

REASONS FOR THE ACQUISITION

Reference is made to the Prospectus of the Company dated 26 February 2016. As stated in the Prospectus, in order to achieve the geographical segregation between the property development projects of Mr. Shum and his associates (other than members of the Group) (the "**Private Group**") and the Group and to ensure clear delineation, Mingyuan Investment and Mr. Shum entered into the Deed of Non-competition with and in favour of the Company, pursuant to which, the Private Group has agreed to conduct its property development business only in the Non-Target Cities while the Group shall conduct its property development business in the Target Cities exclusively.

Shanghai is initially a non-Target City where the Private Group conducts its property development business via the Target Group. By way of the acquisition of all property development projects owned/controlled by Mr. Shum and his associates in Shanghai contemplated by the Acquisition (90% equity interest in each of the Shanghai Projects via a sino-foreign equity joint venture company), Shanghai will be designated from a non-Target City to a Target City, such that the Group will be entitled to commence other property development projects in Shanghai, being a first tier city in China, when a suitable business opportunity arises.

Save as Mr. Shum, being an overlapping shareholder and an overlapping director of the Group and the Private Group, respectively, the shareholder level, the board level and management level of each of the Group and the Private Group is independent with each other. The Private Group has commenced its property development business in Shanghai since 2013 and has developed in-depth knowledge in the property sector of Shanghai, whereas the Group does not have any property development business in Shanghai after the delineation of business between the Group and the Private Group.

The Company believes that the Private Group, being a minority shareholder retaining a 10% equity interest in each of the Shanghai Projects via a sino-foreign equity joint venture company, will provide and share its in-depth knowledge in the property sector of Shanghai with the Group and such knowledge will be greatly beneficial to the Group to manage and operate the Shanghai Projects after Completion and for the Group in identifying and developing new property development projects in Shanghai in the future.

On the premises of the above reasons, the Company has requested the Private Group to retain a 10% equity interest in each of the Shanghai Projects via a sino-foreign equity joint venture company. As at the Latest Practicable Date, the Company does not have any intention nor is under any discussion to further acquire the remaining 10% interest in the Shanghai Projects from Mr. Shum or his associates.

Save as the 10% equity interest in a sino-foreign equity joint venture company (which in turn will hold 100% equity interest in each of the Shanghai Projects) held by Mr. Shum (via 浙江佳源申城房地產集團有限公司 (Zhejiang Jiayuan Shencheng Properties Group Limited*)) after the Reorganisation, the controlling shareholders of the Company will not have any interest in other property development project in Shanghai, which will be subject to the ambit of the non-competition undertakings given by the controlling shareholders of the Company.

The Company is of the view that:

(i) by retaining a 10% equity interest in each of the Shanghai Projects via a sino-foreign equity joint venture company, the Private Group should not be regarded as conducting its property development business in Shanghai (a Target City after Completion), as the Shanghai Projects and the Target Group will be under the control of the Group and thus consolidated as non-wholly owned subsidiaries of the Group after Completion;

(ii) under the Deed of Non-competition, both the Group and the Private Group envisage and interpret that:

(a) the direct or indirect investments in a Target City held by the Private Group should refer to those direct or indirect interests in a property development project in a Target City, no matter whether the interests is represented by a "wholly-owned subsidiary", "non-wholly owned subsidiary" or a "minority interest";

(b) for a "minority interest", it should refer to a "minority interest" in a property development project in a Target City, which is in control or management of a third party or third parties rather than the Group;

(c) the 10% equity interest in the Shanghai Projects retained by the Private Group (where the remaining 90% equity interest is held by the Group) should not be the direct or indirect investments in a Target City held by the Private Group anticipated under the Deed of Non-competition, as the Shanghai Projects and the Target Group will be under the control of the Group and thus consolidated as non-wholly owned subsidiaries of the Group after Completion and does not pose any actual or potential competition with the business of the Group; and

* *For identification purposes only*

(iii) on the above premises, the Company considers that the non-competition undertakings by the controlling shareholders of the Company will remain in compliance, after Shanghai become a Target City.

The three projects held by the Target Group are located in Fengxian District, east to Pudong New District, Shanghai, the PRC. Huijing Huating and Fengcheng Mingdu are completed residential projects, while the remaining high-quality assets such as hotels, apartments for the elderly and supporting commercial facilities will be properties held by the Group. Jiayuan Dream Square is a residential complex under development. Located in a well-developed neighborhood with comprehensive public facilities and transportation network, as well as a premium school network, the projects have a supreme asset quality and are expected to provide the Group with an abundant cash flow from the sales gradually.

The Group believes that the transaction will lay a solid foundation for the Group to establish its presence in the Shanghai property market, and that it will play a pivotal role in consolidating the influence of the Jiayuan brand in Yangtze River Delta Economic Zone. It represents a firm step forward towards achieving the strategic goal of "Firm Presence in Shanghai and Further Development in Peripheral Cities" and will contribute to the further expansion of the Group's land bank in the PRC.

The Directors (including the independent non-executive Directors, whose views have been set out in this circular together with the advice of the Independent Financial Adviser) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable and are on normal commercial terms and the entering into the Sale and Purchase Agreement is in the interest of the Company and Shareholders as a whole.

THE SPECIFIC MANDATE

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued on Completion, will rank pari passu in all respects with the existing Shares in issue.

LISTING RULES IMPLICATIONS

Discloseable Transaction

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

Connected Transaction

As at the Latest Practicable Date, Mr. Shum, being the non-executive Director and the ultimate controlling shareholder of the Company, is interested in approximately 55.06% of the issued share capital of the Company, and thus, Mr. Shum is a connected person of the Company. The Acquisition 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 the Listing Rules.

Mr. Shum, the chairman of the Board and the non-executive Director of the Company, is the vendor of the Acquisition. Mr. Shum has abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Director has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

A notice convening the EGM to be held at Victoria II, 2/F, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Friday, 10 August 2018 at 10:30 a.m. is set out on pages 75 to 76 of this circular. Ordinary resolution will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

A form of proxy for the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*) and the Company (*http://www.jiayuanintl.com*). Whether or not you intend to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:30 a.m. on Wednesday, 8 August 2018). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. Mr. Shum, the chairman of the Board and the non-executive Director of the Company, is the vendor of the Acquisition. As at the Latest Practicable Date, Mr. Shum and its associates, in aggregate holding 1,350,000,000 Shares, representing approximately 55.06% of the issued share capital of the Company, will abstain from voting on the proposed resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the aforesaid matters.

ENTITLEMENT TO ATTEND AND VOTE AT THE EGM

Shareholders of the Company who are entitled to attend and vote at the meeting are those whose names appear as shareholders of the Company on the register of members of the Company as at the close of business on Monday, 6 August 2018. In order to be eligible to attend and vote at the meeting, all completed 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 Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 August 2018.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 22 to 23 in this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 24 to 52 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that, though the Acquisition is not in the ordinary and usual course of the business of the Company, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this circular, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

Yours faithfully,
For and on behalf of
Jiayuan International Group Limited
Cheuk Hiu Nam
Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Sale and Purchase Agreement for inclusion in this circular.

Jiayuan International Group Limited
佳源國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2768)

26 July 2018

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular dated 26 July 2018 (the "**Circular**") issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

We wish to draw your attention to the letter from the Board, as set out on pages 22 to 23 of the Circular and the text of a letter of advice from Somerley, as set out on pages 24 to 52 of the Circular, both of which provide details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Having considered (i) the Sale and Purchase Agreement, (ii) the advice of the Independent Financial Adviser, and (iii) the relevant information contained in the letter from the Board, we are of the opinion that, though the Acquisition is not in the ordinary and usual course of the business of the Company, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Jiayuan International Group Limited

Mr. Tai Kwok Leung, Alexander *Independent Non-executive Director*	**Dr. Cheung Wai Bun, Charles,** ***JP*** *Independent Non-executive Director*	**Mr. Gu Yunchang** *Independent Non-executive Director*

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

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

26 July 2018

To: The Independent Shareholders and the Independent Board Committee

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS ACQUISITION OF THE TARGET GROUP HOLDING SHANGHAI PROJECTS AND THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder (the "**Transactions**"). Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company (the "**Circular**") to its Shareholders dated 26 July 2018, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 5 June 2018, the Company entered into the Sale and Purchase Agreement with Mr. Shum, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of HK$693,628,828 which will be settled (i) as to HK$277,451,552 by the allotment and issue of the 19,566,400 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$14.18 per Consideration Share; and (ii) as to HK$416,177,276 in cash.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

As at the Latest Practicable Date, Mr. Shum, being the non-executive Director and the ultimate controlling Shareholder of the Company, is interested in approximately 55.06% of the issued share capital of the Company, and thus, Mr. Shum is a connected person of the Company. The Acquisition 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 the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang, has been established to make a recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate). Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, the Target Group, Mr. Shum or their respective core connected persons or associates and, accordingly, are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Target Group, Mr. Shum or their respective core connected persons or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the "**Management**") and the respective professional advisers of the Company, which we have assumed to be true, accurate and complete. We have reviewed information on the Company, including but not limited to, the Sale and Purchase Agreement, the valuation report prepared by Jones Lane LaSalle Corporate Appraisal and Advisory Limited (the "**Valuer**") (the "**Valuation Report**"), the legal opinion on Shanghai Dongyuan Property Development Co., Ltd.* (上海東源房地產開發有限公司), Shanghai Xiangyuan Property Co., Ltd.* (上海祥源房地產有限公司) and Shanghai Dingyuan Property Co., Ltd.* (上海定源房地產有限公司) (collectively, the "**Project Companies**"), and their holding of the property interests relating to the Shanghai Projects issued by Jingtian & Gongcheng (競天公誠律師事務所) (the "**PRC Legal Opinion**"), annual reports of the Company for each of the years ended 31 December 2016 ("**FY2016**") (the "**2016 Annual Report**") and 31 December 2017 ("**FY2017**") (the "**2017 Annual Report**"), and other information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Group and have assumed in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group and the Target Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Transactions, we have considered the following principal factors and reasons:

1. Information on the Group

1.1 Principal business of the Group

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in Jiangsu Province, the PRC. The principal activities of the Group include (i) the development and sale of residential and commercial properties; (ii) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (iii) the leasing of commercial properties owned or developed by the Group.

As disclosed in the 2017 Annual Report, as at 31 December 2017, the Group's property portfolio comprised 32 properties in various cities and key towns in the PRC, with land reserve of approximately 7.1 million square meters, covering most of the cities of Jiangsu province. The Group first successfully entered into the market of Guangdong Province and acquired 2 quality projects in Shenzhen in 2016. In 2017, the Group has established its presence in Macau's real estate market by acquiring two adjacent land parcels located at Taipa District of Macau, further expanding the Group's business territory in Guangdong-Hong Kong-Macau Greater Bay Area. As stated in the 2017 Annual Report, apart from continuing the Group's focus on Jiangsu Province, expanding its business footprint to other major provinces and cities and developing the quality projects in "Guangdong-Hong Kong-Macau Greater Bay Area", the Group will also closely follow the country's "Belt and Road" strategic initiative, develop quality projects in countries and regions along the belt, such as Vietnam, Cambodia and Australia, as well as explore prime land with favourable growth prospect. In this regard, the Group has since early 2018 announced various acquisitions or transactions in relation to property or property development projects in Guiyang, Cambodia and Hong Kong.

1.2 Financial information of the Group

Set out below is the summary of the Group's audited financial performance for the three years ended 31 December 2017 as extracted from the 2016 Annual Report and the 2017 Annual Report:

	Year ended 31 December		
	2017	**2016**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue:			
(i) Property development	6,923,887	3,681,763	1,845,870
(ii) Development services	–	–	2,997
(iii) Property investment	24,888	20,318	23,748
	6,948,775	3,702,081	1,872,615
Gross Profit	2,398,665	1,263,930	397,982
Profit for the year attributable to owners of the Company	1,284,077	811,153	280,744

During the three years ended 31 December 2017, the Group derived its revenue mainly from (i) property development; and (ii) property investment. From the above extracts, the results of the Group are noted with drastic improvement throughout the three years which was mainly driven by the high revenue growth in property development segment. Among the total revenue, revenue from sales of properties contributed the major growth of approximately RMB3,242.1 million between 2017 and 2016 and approximately RMB1,835.9 million between 2016 and 2015.

In 2016, the Group recorded a total revenue of approximately RMB3,702.1 million representing an increase of approximately 97.7% as compared with that of approximately RMB1,872.6 million in 2015. The increase was mainly due to the delivery of properties presold under a key project upon its first stage of completion. The Group reported an increase in gross profit of approximately 217.6% to approximately RMB1,263.9 million in 2016 from approximately RMB398.0 million in 2015, while the Group's gross profit margin increased to approximately 34.1% in 2016 as compared to a gross profit margin of approximately 21.3% in 2015. The increase in gross profit margin was mainly attributable to the delivery of two key projects which contributed a comparatively higher gross profit margin to the Group.

In 2017, the Group reported revenue of approximately RMB6,948.8 million, representing an increase of approximately 87.7% from approximately RMB3,702.1 million in 2016. The increase was mainly due to the delivery of properties presold in Nanjing upon its completion in 2017. The Group reported an increase in gross profit by approximately 89.8% to approximately RMB2,398.7 million in 2017 from approximately RMB1,263.9 million in 2016, while the Group's gross profit margin further increased to approximately 34.5% in 2017 as compared to a gross profit margin of approximately 34.1% in 2016. The increase in gross profit margin was mainly attributable to the delivery of projects which contributed to comparatively higher gross profit margin to the Group.

Based on the 2016 Annual Report, profit attributable to owners of the Company increased by approximately 188.9% which was mainly caused by the gross profit growth along with some other operating income increase such as fair value gain on investment properties of approximately RMB322.4 million and gain on bargain purchase of a subsidiary of approximately RMB102.5 million, netted off by the decrease in fair value gain on transfer from inventories of properties to investment properties of approximately RMB204.6 million.

Based on the 2017 Annual Report, profit attributable to owners of the Company increased by approximately 58.3% which was in line with the expansion of the Group's operation in 2017. The increase in profit attributable to owners of the Company in 2017 was mainly caused by the gross profit growth along with some other operating income increase such as increase in foreign exchange gain of approximately RMB73.1 million and fair value gain on transfer from inventories of properties to investment properties of approximately RMB56.2 million, netted off by the decrease in fair value gain on investment properties of approximately RMB185.2 million, increase in administrative expenses and finance costs of approximately RMB88.5 million and approximately RMB85.9 million respectively.

Set out below is the summary of the Group's audited financial position as at 31 December 2017 and 2016 as extracted from the 2017 Annual Report:

	As at 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Non-current assets		
Investment properties	3,306,142	2,173,368
Deposits paid for acquisition of subsidiaries	1,524,053	1,400,000
Other non-current assets	529,980	365,513
	5,360,175	3,938,881

	As at 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Current assets		
Inventories of properties		
– held for sale	741,992	730,211
– under development	17,622,382	9,836,441
Trade and other receivables, deposits and prepayments	2,117,135	1,168,969
Restricted/ pledged bank deposits	1,001,427	438,795
Bank balances and cash	5,715,274	977,653
Other current assets	237,146	310,710
	27,435,356	13,462,779
Current liabilities		
Pre-sale deposits received	6,358,397	5,167,027
Bank and other borrowings	3,233,346	3,385,640
Senior notes	3,681,736	–
Other current liabilities	3,301,732	1,752,764
	16,575,211	10,305,431
Net current assets	10,860,145	3,157,348
Total assets less current liabilities	16,220,320	7,096,229
Non-current liabilities		
Bank and other borrowings	7,690,605	2,314,420
Other non-current liabilities	1,729,229	1,466,557
	9,419,834	3,780,977
	6,800,486	3,315,252
Equity		
Net asset value ("**NAV**") attributable to owners of the Company	6,775,579	3,207,310
Non-controlling interests	24,907	107,942
	6,800,486	3,315,252

Non-current assets of the Group as at 31 December 2017 mainly comprised, among other things, investment properties and deposits paid for acquisition of subsidiaries. Balance of total non-current assets increased from approximately RMB3,938.9 million as at 31 December 2016 to approximately RMB5,360.2 million as at 31 December 2017, represented a growth of approximately 36.1% which was mainly due to the increase in balance of investment properties by approximately RMB1,132.8 million as a result of, among other things, the addition of investment properties of approximately RMB326.5 million and transfer from inventories of properties of approximately RMB669.0 million, as well as the fair value gain of approximately RMB137.2 million during 2017. Also, under non-current assets, there were deposits paid for acquisition of subsidiaries of approximately RMB1,400.0 million as at 31 December 2016 and RMB1,524.1 million as at 31 December 2017, pursuant to framework agreements entered into by the Group with independent third parties in relation to the acquisitions of a number of companies which are principally engaged in property development in the PRC. The deposits will be fully refunded to the Group in case of incompletion of the acquisitions.

Current assets of the Group as at 31 December 2017 mainly comprised, among other things, inventories of properties and bank balances and cash. The inventories of properties under development recorded an increment by approximately RMB7,785.9 million as at 31 December 2017 as compared to that as at 31 December 2016, contributed to the growth of current assets. As at 31 December 2017, the Group had an aggregate pledged/restricted bank deposits and bank balances and cash of approximately RMB6,716.7 million, representing an increase of approximately 374.2% as compared to that as at 31 December 2016.

Current liabilities of the Group as at 31 December 2017 mainly comprised, among other things, pre-sale deposits received, bank and other borrowings and the senior notes. The increase in pre-sale deposits received of approximately RMB1,191.4 million as at 31 December 2017 was mainly due to increase in contracted sale as at 31 December 2017. The balance of bank and other borrowings as at 31 December 2017 amounted to approximately RMB3,233.3 million which was comparable to the balance as at 31 December 2016 of approximately RMB3,385.6 million, whereas the senior notes increased to approximately RMB3,681.7 million as at 31 December 2017 from nil as at 31 December 2016 due to a series of senior notes issued during 2017 which will be due within one year (i.e. due on September, October and November 2018) from December 2017.

The non-current portion of the bank and other borrowings, which formed the majority of the total non-current liabilities, increased from approximately RMB2,314.4 million as at 31 December 2016 to approximately RMB7,690.6 million as at 31 December 2017. Such increase was mainly driven by the increase in borrowings repayable after one year.

The Group recorded net current assets of approximately RMB10,860.1 million as at 31 December 2017, as compared with that of approximately RMB3,157.3 million as at 31 December 2016. Such increase of approximately 244.0% was in line with the increase in properties under development. The net gearing ratio of the Group, which was measured by net debt (i.e. bank and other borrowings and senior notes less bank balances and cash and pledged/restricted bank deposits) over the total equity, dropped from approximately 150.2% as at 31 December 2016 to approximately 125.6% as at 31 December 2017.

NAV attributable to owners of the Company increased by around 111.3% to approximately RMB6,775.6 million as at 31 December 2017 from approximately RMB3,207.3 million as at 31 December 2016. NAV attributable to owners of the Company per Share, based on the total number of issued Shares of 2,452,000,000 as at the Latest Practicable Date, was approximately RMB2.76 (equivalent to approximately HK$3.38).

2. Information on the Target Company and the Shanghai Projects

2.1 Background information of the Target Group

Huyuan Holdings Limited is a company incorporated under the laws of the BVI with limited liability. As provided by the Management, each of the Target Company, Hong Kong Huyuan Development Limited and the sino-foreign equity joint venture company is an investment company with no operation, no material assets and liabilities, save for the holding of 90% interest in the Shanghai Projects upon completion of the Reorganisation.

Set out below is the unaudited combined pro forma financial information of the Target Group based on their respective unaudited management accounts in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 December 2017 as reproduced from the letter from the Board in the Circular:

	Year ended 31 December	
	2016	**2017**
	RMB	*RMB*
Net profit before taxation and extraordinary items	134 million (equivalent to approximately HK$164 million)	550 million (equivalent to approximately HK$673 million)
Net profit after taxation and extraordinary items	100 million (equivalent to approximately HK$122 million)	415 million (equivalent to approximately HK$507 million)

As disclosed in the letter from the Board in the Circular, the major revenue contributor of the Target Group for the two years ended 31 December 2017 and 31 December 2016 were revenue generated from the sales of inventories of the Shanghai Projects, which were in the amount of approximately RMB1,184 million (equivalent to approximately HK$1,449 million) for the year ended 31 December 2016, and approximately RMB1,306 million (equivalent to approximately HK$1,598 million) for the year ended 31 December 2017. The rental income generated from the investment properties of the Shanghai Projects during the year ended 31 December 2017 was approximately RMB45 million (equivalent to approximately HK$55 million). There was no rental income generated during the year ended 31 December 2016.

As further disclosed in the letter from the Board in the Circular, as at 30 April 2018, the unaudited combined pro forma net asset value of the Target Group was approximately RMB958 million (equivalent to approximately HK$1,172 million). The unaudited pro forma total assets of the Target Group as at 30 April 2018 of approximately RMB2,062 million (equivalent to approximately HK$2,522 million) mainly consisted of (i) investment properties at cost of approximately RMB829 million (equivalent to approximately HK$1,014 million); and (ii) inventories of approximately RMB538 million (equivalent to approximately HK$658 million); (iii) prepaid design cost of approximately RMB347 million (equivalent to approximately HK$425 million); and (iv) prepaid construction cost of approximately RMB293 million (equivalent to approximately HK$358 million). The unaudited pro forma total liabilities of the Target Group as at 30 April 2018 of approximately RMB1,103 million (equivalent to approximately HK$1,350 million) mainly consisted of (i) long term bank borrowings of approximately RMB881 million (equivalent to approximately HK$1,078 million); (ii) tax payable of approximately RMB112 million (equivalent to approximately HK$137 million); and (iii) deferred tax liability of approximately RMB98 million (equivalent to approximately HK$120 million). The Company further confirmed that none of the unaudited pro forma total liabilities of the Target Group as at 30 April 2018 was due to the Company's connected persons.

2.2 Information on the Shanghai Projects

The Target Group holds the Shanghai Projects, which comprise:

(i) Huijing Huating (上海•滙景華庭)

Huijing Huating is located at No. 299 Gangjia Road, Situan Town, Fengxian District, Shanghai, the PRC. It occupies a parcel of land with a site area of approximately 30,711 square meters, which has been developed into a residential and commercial property. The project was completed in 2017.

As of 31 May 2018, Huijing Huating had remaining units of a total gross floor area of approximately 47,204 square meters, which comprised:

(i) pre-sold units (subject to transfer) of 239 approximately square meters;

(ii) unsold units of approximately 39,121 square meters; and

(iii) commercial units held as investment properties of approximately 7,844 square meters.

After completion of the Acquisition, the Group intends to sell the unsold units of approximately 39,121 square meters on or before 2020 and intends to hold the commercial units as investment properties of approximately 7,844 square meters for rental purposes.

(ii) Fengcheng Mingdu (上海 • 奉成名都)

Fengcheng Mingdu is located at Lane 3069 Lanbo Road, Fengxian District Shanghai, the PRC. It occupies three parcels of land with a site area of approximately 34,000 square meters, which has been developed into a residential and commercial property. The project was completed in 2015.

As of 31 May 2018, Fengcheng Mingdu had remaining units of a total gross floor area of approximately 20,904 square meters, which comprised:

(i) pre-sold units (subject to transfer) of approximately 130 square meters;

(ii) unsold units of approximately 7,153 square meters; and

(iii) commercial units held as investment properties of approximately 13,621 square meters.

After Completion, the Group intends to sell the unsold units of approximately 7,153 square meters on or before 2020 and intends to hold the commercial units held as investment properties of approximately 13,621 square meters for rental purposes.

(iii) Jiayuan Dream Square (佳源夢想廣場)

Jiayuan Dream Square is located at the western side of Jinhai Road and the northern side of Fengzhe Road, Fengxian District Shanghai, the PRC. It occupies a parcel of land with a site area of approximately 157,690 square meters which are/will be developed into five phases. As disclosed in the Valuation Report, the property comprised five phases with commercial and residential complex. Phase I comprises a 4-storey podium and a 6-storey commercial building (from level 4 to level 9), which physically connected with the podium. Phases II and III are residential buildings. Phases IV and V comprise the remaining bare land for future development, which are planned to develop into office and residential buildings. As of 31 May 2018, Jiayuan Dream Square Phases I, II and III had remaining units of a total gross floor area of approximately 115,891 square meters, which comprised the pre-sold units (subject to transfer) of approximately

13,370 square meters, the unsold units of approximately 88,734 square meters and the commercial units held as investment properties of approximately 13,787 square meters.

As stated in the letter from the Board in the Circular, as at the Latest Practicable Date, Phases IV and V consist of remaining bare land with a site area of approximately 46,077 square meters for future development. The Group currently intends to develop the bare land for residential and commercial uses. The development of the bare land is expected to commence in the first quarter of 2019 and is expected to complete in the third quarter of 2020. In accordance with the current development plan, the estimated future development costs and expenses for developing the bare land are approximately RMB150 million (equivalent to approximately HK$183 million) and approximately RMB241 million (equivalent to approximately HK$295 million) for the two years ending 31 December 2019 and 2020 respectively.

We noted from the PRC Legal Opinion issued by Jingtian & Gongcheng that Shanghai Xiangyuan Property Co., Ltd. (being one of the Project Companies holding the Jiayuan Dream Square) would be subject to potential and actual penalty payments (the "**Penalties**") as a result of, among other things, (i) delay in commencement and completion of the construction of Jiayuan Dream Square from the dates prescribed under the relevant State-owned Land Use Rights Grant Contract; and (ii) commencement of construction work without obtaining relevant and necessary construction permits. In these regards, we have reviewed the Sale and Purchase Agreement and noted that pursuant to the terms of the Sale and Purchase Agreement, in the event the Penalties arise, incur or materialise, the Group will be fully and effectively indemnified by Mr. Shum for any loss, liabilities and costs incurred as a result of, among other things, any delay in commencement and completion of the construction of the Shanghai Projects.

2.3 The valuation report

The appraised value of the Shanghai Projects has determined by Jones Lane LaSalle Corporate Appraisal and Advisory Limited, an independent and duly qualified Hong Kong valuer. The full text of the Valuation Report and certificate of properties held by the Shanghai Projects (the "**Properties**") for their respective market value in existing state as at 31 May 2018 is set out in Appendix I to the Circular. According to the Valuation Report, the market value in existing state of the Properties as at the valuation date, being 31 May 2018 (the "**Valuation Date**"), was RMB1,725,100,000 (equivalent to HK$2,110,314,830).

We have reviewed the Valuation Report and discussed with the Valuer regarding the methodologies of, and bases and assumptions adopted for the valuation of the property interests held for sale (i.e. Group I properties as set out in the Valuation Report) by the Project Companies. We noted that the Valuer has adopted the comparison approach assuming sale of property interests in their existing state with the benefit of immediate vacant possession and by making reference to various relevant sales evidences in the locality which have similar characteristics as the subject property. The selected comparables are residential and retail units within the same development/building of the subject property and other newly completed or to be completed buildings located in the area close to the subject property with similar building conditions and facilities, which were either quoted or transacted in 2018 (as the case may be). We have discussed with the Valuer and reviewed the aforesaid comparables which consisted sales and transaction details derived from Shanghai Projects directly as well as sales transactions as available in the market.

In valuing the property held by the Project Companies for investment (i.e. Group II properties as set out in the Valuation Report) as at the Valuation Date, income approach was adopted by taking into account the rental income of the properties derived from the income potential of leases by making reference to the actual rents in the existing tenancy agreements and also comparing with similar developments which are located in the similar areas as the stores of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area, and then capitalized to determine the market value at an appropriate capitalization rate.

In valuing the property which was held for future development as at the Valuation Date which, based on our understanding obtained from both the Management and the Valuer, is referring to bare land held by the Project Companies (i.e. Group III properties as set out in the Valuation Report), the Valuer has assumed that they will be developed and completed in accordance with the latest development proposals and adopted the comparison approach and made references to recent land comparables with similar characteristics as the subject land parcels of the property in the same area as the property sold in recent public tender offerings.

We have also discussed with the Valuer in relation to rationale of adopting different valuation methodologies for valuing different categories of properties of the Project Companies and reviewed the list of comparable transactions and leases information considered and provided by the Valuer. According to the Valuer, the comparison approach is the most appropriate valuation method for assessing the market value of the properties in Group I and III as these are properties with transparent and readily available market price information by reference to actual sales and transaction details derived from Shanghai Projects directly and/or comparable sales transactions as available in recent public tender offerings or in the market. For Group II properties, the Valuer considers the income approach is the most appropriate valuation method having regard to the income driven nature of these properties, as well as that market information on leases are readily available based on the existing leases entered into by the Project Companies and in the market.

After considering the reasons for the Valuer's choice of adopting the various valuation methodologies for valuing different properties held by the Project Companies, we are of the opinion that the methodologies used are reasonable and appropriate.

Furthermore, and in compliance with the requirements under note (1)(d) to Rule 13.80 of the Listing Rules, we have assessed the qualification and experience of the responsible person of the Valuer for its engagement as the independent professional valuer for the Shanghai Projects. We note that Mr. Eddie Yiu, the person in charge of the Valuation, is a professional Chartered Surveyor who has 24 years of experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Aisa-Pacific region. Although the Valuer has been engaged by the Company in the past for property valuation works, we are confirmed by both the Company and the Valuer that neither the Valuer nor the Company is aware of any relationship which may render them not independent and we are satisfied that the Valuer is independent from the Company. Furthermore, the Valuer confirmed that it is an independent third party to the parties to the Sale and Purchase Agreement and their respective core connected persons. In addition, we also reviewed the Valuer's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion of the market value on the Shanghai Projects. Nothing has come to our attention that parties to the Sale and Purchase Agreement had made formal or informal representation to the Valuer that contravenes with our understanding of the information, to a material extent, as set out in the Circular. In conducting the valuation, the Valuer has confirmed compliance with all the requirements as set out in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

3. Reasons for and benefits of the Sale and Purchase Agreement

3.1 Reasons for the Sale and Purchase Agreement

As stated in the Prospectus, in order to achieve the geographical segregation between the property development projects of Mr. Shum and his associates (other than members of the Group) (the "**Private Group**") and the Group and to ensure clear delineation, Mingyuan Investment and Mr. Shum entered into the Deed of Non-competition with and in favour of the Company, pursuant to which, the Private Group has agreed to conduct its property development business only in the Non-Target Cities while the Group shall conduct its property development business in the Target Cities exclusively. Further details relating to the Deed of Non-competition is set out on pages 15-16 in the letter from the Board of the Circular. As disclosed in the Circular, the principal assets of the Target Company, upon completion of the Reorganisation, will be the Shanghai Projects. It is noted that the Company disclosed in its Prospectus dated 26 February 2016, Shanghai is initially a non-Target City where the Private Group conducts its property development business via the Target Group companies. By way of and upon completion of the Acquisition, Shanghai will be designated from a non-Target City to a Target City where the Group is free to conduct its property business in Shanghai going forward.

As also disclosed in the Circular, the Shanghai Projects are located in Fengxian District, east to Pudong New District, Shanghai, the PRC, respectively. Huijing Huating and Fengcheng Mingdu are completed residential projects, while the remaining high-quality assets such as hotels, apartments for the elderly and supporting commercial facilities will be properties held by the Group. Jiayuan Dream Square is a residential complex under development and is located in a well-developed neighborhood with comprehensive public facilities and transportation network, as well as a premium school network, the projects have a supreme asset quality and are expected to provide the Group with an abundant cash flow from the sales gradually.

The Group believes that the transaction will lay a solid foundation for the Group to establish its presence in the Shanghai property market, and that it will play a pivotal role in consolidating the influence of the Jiayuan brand in Yangtze River Delta Economic Zone. It represents a firm step forward towards achieving the strategic goal of "Firm Presence in Shanghai and Further Development in Peripheral Cities" and will contribute to the further expansion of the Group's land bank in the PRC.

3.2 The Shanghai property market

In assessing the reasons for the Acquisition, we conducted an analysis of the Shanghai real estate market and economic growth over the recent years.

Despite recent growth spikes in second and third tier cities in the PRC, we noted that Shanghai retains its status in the nation's social and economic development as the international metropolis-oriented city is striving to serve the nation and lead the growth of the Yangtze River Delta region. According to data published by the Shanghai Municipal Government, the gross domestic product ("**GDP**") of Shanghai reached approximately RMB3,013.4 billion in 2017, which represents an increase of approximately 6.9% from the previous year. GDP per capita and average disposable income per capita continue to lead the nation, exceeding RMB120,000 and reaching RMB58,988 per year respectively in 2017. According to the data published by the Shanghai Municipal Statistics Bureau, although the growth pace of total investment in the property development market slowed to a moderate 4.0% in 2017, total amount invested in the Shanghai property market still totaled approximately RMB385.7 billion for the same year. Based on the data published by the National Bureau of Statistics of China, the total investment made in the Shanghai property development market has averaged RMB240.3 billion over the last 10 years up to 2016 with an average year on year growth rate of more than 12%.

In addition to the overall growth of the property market in Shanghai, Fengxian District and Pudong New Area also demonstrated promising prospects. Fengxian District is a suburban area in the south of Shanghai with land area of approximately 687.4 square kilometers. According to the 13th five-year plan announced in 2016 set by the district itself, developing high end property market is set as its primary strategic goal in order to focus on the overall economic development around the region. The district government has, in 2017 announced and implemented plans to extend existing transportation and infrastructure facilitating transportation to and from downtown Shanghai in order to encourage and attract investors and entrepreneurs. Pudong New Area is located on the east side of the Huang Pu River with a total area of 1,210 square kilometers where the China (Shanghai) Pilot Free Trade Zone is located.

We have discussed with and understood from the Management that Company has chosen to exercise its right under the non-competition undertaking at this point in time because it foresees continuing economic growth Shanghai as a city and growth prospects and opportunities existing within relatively newer and developing regions of Shanghai. The Management has pointed out that downtown Shanghai, which mainly refers to Puxi Area has been developing since as early as 1990s, and further development and growth may be somewhat limited due to reasons, among others, limited land supply. Regions such as Pudong New Area and Fengxin District, would on the other hand offer potentials, as they are lesser developed than Puxi Area yet is still able to leverage on the continuing growth of Shanghai as a whole. In light of the proven stability of Shanghai as an economic hub and the its proven track record, we concur with the Directors that the entering into of the Sale and Purchase Agreement is fair and reasonable as a strategic first step to establish its presence in the region and in the interests of the Company and the Shareholders.

4. Principal terms of the Sale and Purchase Agreement

4.1 Subject matter to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Share. Mr. Shum agreed to procure the implementation of the Reorganisation, and completion of which is a condition precedent to Completion. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and the Project Companies holding the Shanghai Projects.

4.2 Consideration

The Consideration for the Acquisition is HK$693,628,828, which will be settled by the Company in the following manners upon Completion:

(i) as to HK$277,451,552 shall be settled by the allotment and issue of the 19,566,400 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$14.18 per Consideration Share; and

(ii) as to HK$416,177,276 shall be paid by the Company to Mr. Shum in cash which will be funded by the internal resources and/or bank borrowings of the Group.

As stated in the letter from the Board in the Circular, there is no adjustment clause to the Consideration provided under the Sale and Purchase Agreement as the Consideration was determined by reference to, among other factors, the net asset value of the Target Group as at 30 April 2018. As further stated in the letter from the Board in the Circular, as the business of the Target Group will be conducted in its ordinary and usual course of business from the date of the Sale and Purchase Agreement to the date of Completion as undertaken by Mr. Shum under the Sale and Purchase Agreement and the Company expects that there will be no material change in the net asset value of the Target Group as of the date of Completion as compared to 30 April 2018 except for the payout of the retained profit as declared as set out in the letter from the Board of the Circular, the Company is of the view that an adjustment clause to the Consideration is not necessary in the circumstances. We have reviewed the Sale and Purchase Agreement and noted that there are various restrictive covenants undertaken by and imposed against Mr. Shum pursuant to the Sale and Purchase Agreement, including that he shall ensure the Target Group companies not to, unless with the prior written consent from the Company, dispose of any material assets or create, extend, grant any mortgage, charge or encumbrance over any of material assets, or incur any borrowing or liability (other than in the ordinary course of business) pending Completion. Moreover, as further discussed in section headed "5. Consideration" below, the Consideration represents a discount to the Reassessed NAV (as defined below) which has taken into account the latest market value and reference value of the properties interests held by the Target Group. Having considered the aforesaid, we concur with the view of the Board that it is acceptable for not having any adjustment to the Consideration upon Completion.

4.3 The Consideration Shares

The 19,566,400 Consideration Shares represent approximately 0.80% of the issued share capital of the Company as at 5 June 2018 and approximately 0.79% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between 5 June 2018 and the allotment and issue of the Consideration Shares).

The Issue Price was determined on an arm's length basis between the Company and Mr. Shum and was arrived at a 7% discount to the average closing price of approximately HK$15.25 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement. The Directors consider that the Issue Price is fair and reasonable.

4.4 Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon fulfilment or, where applicable, waiver of the following conditions:

(i) the Reorganisation having been completed pursuant to the Sale and Purchase Agreement;

(ii) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders of the Company at the EGM in accordance with the requirements of the Listing Rules;

(iii) the approval for the listing of, and permission to deal in, the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;

(iv) all necessary consents, if any, from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and

(v) the Company having satisfied with the due diligence results of the Target Group in all respects.

If any of the conditions set out above has not been satisfied or waived by the Company (other than conditions (i), (ii) and (iii) which may not be waived) on or before 30 September 2018 or such other date as the parties may agree, the Sale and Purchase Agreement will be terminated unless the parties otherwise agree.

As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived.

4.5 Reorganisation

Pursuant to the Reorganisation, Mr. Shum shall procure the injection of the Shanghai Projects into a PRC limited liability company, the equity interest of which will be held as to 90% by the Target Company and 10% by a company ultimately wholly owned by Mr. Shum. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and project companies holding the Shanghai Projects. The Group will via the Target Group hold a 90% equity interest in the Shanghai Projects.

Please refer to the paragraph headed "Reorganisation" in the letter from the Board for more details regarding the Reorganisation and a chart showing the corporate and shareholding structure of the Target Group immediately after Completion.

4.6 Completion

Completion shall take place on the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or waived or such other day as the parties may agree. As stated in the letter from the Board in the Circular, the Management expects that Completion will take place on or before 15 August 2018.

5. Consideration

As disclosed in the Circular, the Consideration for the Acquisition of HK$693,628,828 was determined after arm's length negotiations between the parties, having taken into account of, among other factors, (a) the preliminary appraised value of the Shanghai Projects as at 31 March 2018 in the amount of RMB1,759,895,000 (equivalent to HK$2,152,879,554) prepared by an independent property valuer engaged by the Company; (b) the pro forma assets and liabilities of the Target Group assuming the Reorganisation had been completed as of 30 April 2018; (c) the retained profit of the Target Group in the amount of RMB622,915,567 (equivalent to approximately HK$762,012,613) as of 30 April 2018 declared and distributed as dividend prior to Completion; and (d) the acquisition of a 90% equity interest in the Target Group. Details of the reconciliation between the appraised value of the Shanghai Projects as at 31 March 2018 and the Consideration are set out in the section headed "Consideration" in the letter of the Board in the Circular.

We have discussed with the Management and was provided the pro forma combined NAV of the Target Group of approximately RMB342.0 million as at 31 May 2018. For our analysis, we have considered the adjusted combined NAV (the "**Reassessed NAV**") of the Target Group based on the pro forma combined NAV of the Target Group as at 31 May 2018 adjusted with reference to the valuation of the Shanghai Projects as at 31 May 2018. The Reassessed NAV is determined as follows:

	Scenario 1 *(RMB' million)* *(Note 1)*	**Scenario 2** *(RMB' million)* *(Note 2)*
Pro forma combined NAV of the Target Group as at 31 May 2018 *(Notes 3 and 4)*	342.0	342.0
Add: Revaluation surplus arising from the valuation of the Shanghai Projects as at 31 May 2018 (net of applicable potential PRC tax liability) *(Notes 4 and 5)*	272.1	397.1
	614.1	739.1
Less: Minority interest of the Target Group	61.4	73.9
Reassessed NAV attributable to owners of the Target Company	552.7	665.2
The Consideration	567.0	567.0
Premium/(Discount) of the Reassessed NAV attributable to owners of the Target Company over/(to) the Consideration		
– in RMB (million)	(14.3)	98.2
– in percentage	(2.5%)	17.3%

Notes:

1. In scenario 1, the Reassessed NAV is determined by taking into account the appraised value of the property interest held by the Project Companies as set out in the Valuation Report of approximately RMB1,725.1 million.

2. In scenario 2, the Reassessed NAV is determined by taking into account of the sum of: (i) the appraised value of the property interest held by the Project Companies as set out in the Valuation Report of approximately RMB1,725.1 million; and (ii) the referenced market value (the "**Reference Value**") of certain underground parking space (the "**Car Parking Spaces**") of Jiayuan Dream Square of approximately RMB166.6 million assuming all relevant title certificates have been obtained and the property could be freely transferred, as mentioned in note 13 of the valuation certificate of Jianyuan Dream Square in the Valuation Report.

3. Independent Shareholders' attention is drawn to the decrease in pro forma combined NAV of the Target Group from approximately RMB958.4 million as at 30 April 2018 to approximately RMB342.0 million as at 31 May 2018. We have obtained the proforma financial statements of the Target Group for the month ended 31 May 2018 and the breakdown of gross floor area of the Shanghai Properties as at 31 May 2018 and noted that the decrease in the pro forma combined NAV of the Target Group as at 31 May 2018 was mainly as a result of, among other things, (i) the payout of the retained profit of the Target Group to existing shareholders of the Target Group prior to Completion of approximately RMB622.9 million as set out in Letter from the Board of the Circular; and (ii) the net profits recognised as a result of, as provided by the Management, the sales of certain pre-sold or unsold properties during May 2018 (the "**Sales of Properties**"). We are further advised by the Management that the aforesaid decrease in quantities of the Target Group's property interests as at 31 May 2018 as compared to that as at 31 March 2018 following the Sales of Properties has correspondingly resulted in the decrease in the total appraised value of the Shanghai Projects from approximately RMB1,759.9 million as at 31 March 2018 as set out in letter from the Board in the Circular, to approximately RMB1,725.1 million as at 31 May 2018 as stated in the Valuation Report. We have compared the total gross floor area of the Shanghai Properties as at 31 March 2018 and 31 May 2018 respectively and confirmed with the Valuer that the decrease in total appraised value of the Shanghai Projects as at 31 May 2018 as compared to 31 March 2018 was mainly due to the aforesaid decrease in quantities of the Target Group's property interests following the Sales of Properties in May 2018 as mentioned above.

4. As confirmed by the Company, the figures shown above for (i) the pro forma net asset value of the Target Group as at 31 May 2018; and (ii) the revaluation surplus arising from the valuation of the Shanghai Projects as at 31 May 2018 (net of applicable potential PRC tax liability), are on a 100% ownership basis.

5. This represents a revaluation surplus calculated by the fair value of the property interests held by the Project Companies, being approximately RMB1,725.1 million (for scenario 1) or RMB1,891.7 million (for scenario 2), net of the book value of such property interests as of 31 May 2018 of approximately RMB1,362.3 million and relevant potential PRC tax liability of approximately RMB90.7 million (for scenario 1) or RMB132.4 million (for scenario 2).

We consider that the adjustments set out above are the relevant types of adjustments with reference to, among other thing, latest valuation of the properties interest and the minority interest of the Target Group, and are customary for arriving at the Reassessed NAV of the Target Group.

The Reassessed NAV attributable to owners of the Target Company in scenario 1 is approximately RMB552.7 million, representing a discount of approximately RMB14.3 million or approximately 2.5% to the Consideration of approximately RMB567.0 million.

We noted in the Valuation Report that the Valuer assigned no commercial value to the Car Parking Spaces as at the Valuation Date as the Target Group had not obtained the pre-sale permits yet and the Car Parking Spaces were not freely transferrable. We have reviewed the PRC Legal Opinion and noted that the Target Group has already submitted the necessary application documents to the relevant government authorities in relation to the application of the pre-sale permits. Based on the discussion between Jingtian & Gongcheng and the officials of the relevant government authorities and as stated in the PRC Legal Opinion, Jingtian & Gongcheng is of the view that there will be no material legal impediment for the Target Group to obtain the necessary approval in relation to the pre-sale permit. Based on the above, we consider the inclusion of the Reference Value (i.e. scenario 2) in determining the fair value of the property interests held by the Project Companies for the purpose of calculating the Reassessed NAV attributable to owners of the Target Company to be acceptable. On such basis and as set out in scenario 2, the Reassessed NAV attributable to owners of the Target Company is indeed approximately RMB665.2 million, representing a premium of approximately RMB98.2 million or 17.3% over the Consideration of approximately RMB567.0 million.

6. Evaluation of the Consideration Shares

6.1 Evaluation of the Issue Price

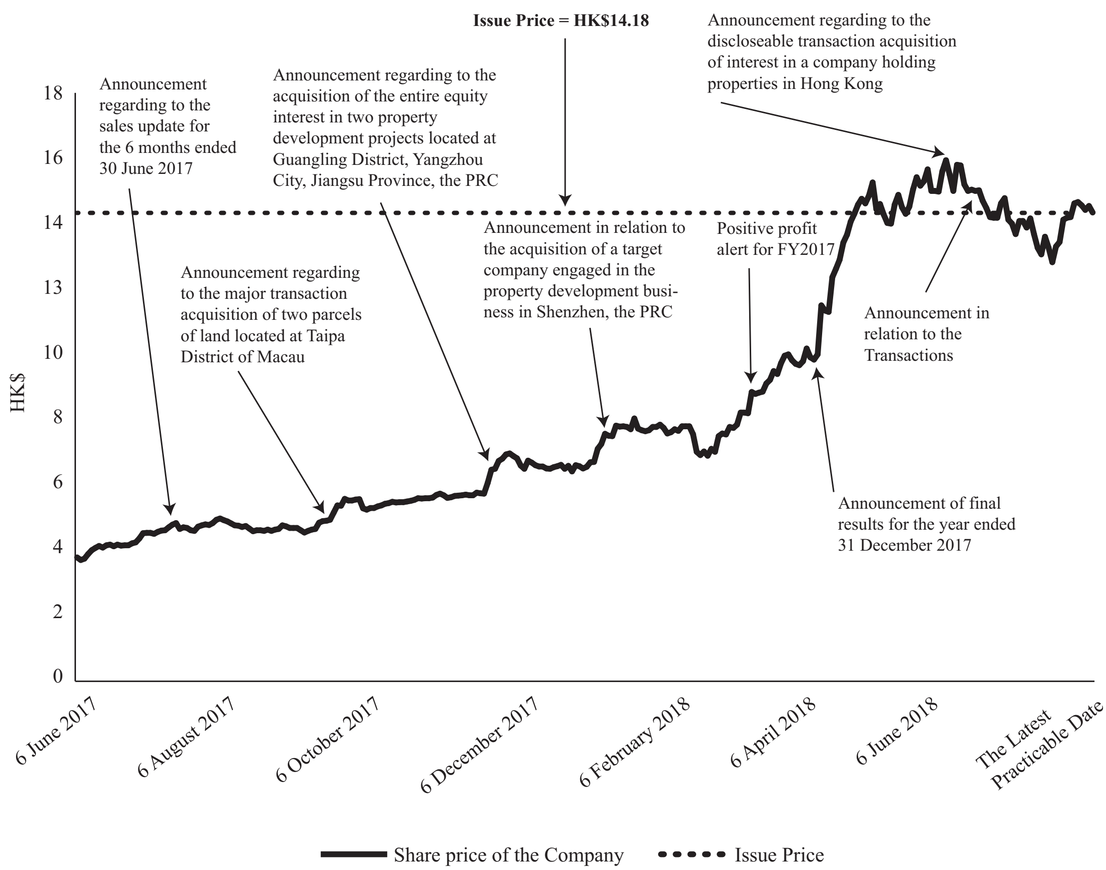
As previously disclosed, the Consideration will be settled in the following manners upon Completion:

(a) as to HK$277,451,552 shall be settled by the allotment and issue of the 19,566,400 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK$14.18 per Consideration Share; and

(b) as to HK$416,177,276 shall be paid by the Company to Mr. Shum in cash which will be funded by the internal resources and/or bank borrowings of the Group.

(i) Historical Share Performance

Set out below is a chart reflecting movements in the closing prices of the Shares from 6 June 2017 (being 12 months before the date of the Sale and Purchase Agreement) up to and including the Latest Practicable Date (the "**Review Period**"), which represented a sufficient period of time to provide a general overview on the recent market performance of the Shares.



Source: Website of the Stock Exchange

From the chart above, the Shares price closed in a range between HK$3.71 and HK$15.94 per Share during the period from 6 June 2017 up to and including 5 June 2018, being 12 months immediately before and including the date of the announcement in relation to the Transactions (the "**Announcement**") (the "**Pre-Announcement Period**"), with an average of approximately HK$7.67. The average Share closing price for 6 months immediately prior to and including the date of the Announcement (the "**Last Six-Month Period**") was approximately HK$10.37 and the average traded Share price for 3 months immediately prior to the Announcement (the "**Last Three-Month Period**") was HK$13.20.

Trading in the Company's Shares was mostly sideways between a tight range of approximately HK$4.00 and HK$5.00 from June to the end of August 2017. During this period, the Share closing price gradually went up from HK$3.79 per Share on 6 June 2017, to HK$4.84 per Share on 13 July 2017. We note that the Share closing price dropped to HK$4.66 on 14 July 2017 following the publication of the Company's announcement in relation to its sales update for 6 months ended 30 June 2017 during lunch on 14 July 2017. During the period from 17 July 2017 to 6 September 2017, the closing price of the Shares fluctuated in a narrow range between HK$4.55 and HK$4.98 per Share. On 7 September 2017, the Share closing price increased by approximately 4.08% to HK$4.85 per Share from the previous closing price of HK$4.66 after the publication of an announcement involving the acquisition of a piece of land in Macau after market close on 6 September 2017. Since then the Share closing price started to pick up again and increased from HK$4.9 each on 8 September 2017 to HK$6.5 each on 16 November 2017. Closing Share price rallied on the back of an announcement regarding the acquisition of property development projects in Yangzhou PRC published before trading hours on 17 November 2017, and closed at HK$6.74 for the day which represented around 3.69% increase as compared to the previous close. The Share closing price increased to over HK$7.0 per Share on 28 December 2017 and further reached HK$7.57 each on 2 January 2018, representing an increase of 4.27% following the publication of an announcement on 29 December 2017 evening in relation to the acquisition of a target company engaged in the property development business in Shenzhen, PRC. Since then the closing price of the Shares continued its increasing trend and reached HK$8.83 per Share on 5 March 2018.

The closing price per Share reached HK$8.86 on 6 March 2018 following the publication of a positive profit alert for FY2017 in the previous evening. The Share closing price continued to rally and closed at HK$11.50 each on 28 March 2018 after the announcement of its annual results for FY2017. The uptrend in the Share closing price performance continued into the month of May 2018 and started to stabilise at price levels of around HK$15.00 towards the end of May 2018. The closing price per Share fell by around 1.50% to HK$14.48 on 6 June 2018 following the publication of the Announcement on 5 June 2018. Since then, the Share closing price has demonstrated a slightly downward trend and gradually dropped to HK$14.34 on the Latest Practicable Date.

As disclosed in the letter from the Board, the Issue Price of HK$14.18 per Consideration Share represents:

(a) a discount of approximately 3.54% to the closing price per Share of HK$14.70 as quoted on the Stock Exchange on 5 June 2018, being the date of the Sale and Purchase Agreement;

(b) a discount of approximately 5.79% to the average closing price per Share of HK$15.05 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;

(c) a discount of approximately 7.49% to the average closing price per Share of HK$15.33 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Sale and Purchase Agreement;

(d) a discount of approximately 1.12% to the average closing price per Share of HK$14.34 as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a premium of approximately 319.53% over the equity attributable to owners of the Company per Share of approximately RMB2.76 (equivalent to approximately HK$3.38) as at 31 December 2017, based on the total number of issued Shares of 2,452,000,000 as at the Latest Practicable Date.

Although the Issue Price is at discounts to the prevailing average closing prices of the Shares in recent terms, however, we note that the Issue Price represents (i) a premium of approximately 84.88% and 69.82% compared to the average closing price of the Shares for the Pre-Announcement Period and the Review Period respectively; (ii) a premium of approximately 319.53% over the equity attributable to owners of the Company per Share of approximately RMB2.76 (equivalent to approximately HK$3.38 as at 31 December 2017; (iii) approximately 36.74% and approximately 7.42% premium compared to the average closing prices of the Shares for the Last Six-Month Period and the Last Three-Month Period respectively.

(ii) Comparison with recent issue of consideration shares

We have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring), which announced issues of consideration shares to vendors that are connected persons for acquisition(s) during the period from 1 December 2017 up to and including the Latest Practicable Date ("**Comparable Share Issues**") (excluding transactions that were terminated as of the Latest Practicable Date). We consider such list an exhaustive list of relevant comparable issues of consideration shares based on the said criteria above.

Despite the subject companies constituting the Comparable Share Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and different reasons for their respective acquisitions and different reasons for issuing consideration shares for their transactions, we would still consider, in light of our selection criteria, capturing recent issues of consideration shares by listed companies to connected person(s) for acquiring assets/companies under similar market conditions and sentiments can provide us with a general reference on the recent market trend of this type of transaction in Hong Kong equity capital market. Based on the aforesaid, despite the large range of discount/premium represented by the respective issue price under the Comparable Share Issues, we regard the Comparable Share Issues meaningful and representative samples for assessing the fairness and reasonableness of the Issue Price.

Announcement Date	Stock Code	Listed Company	Issue Price (HK$)	Premium/ (Discount) of the issue price over/to the closing price on last trading day (%)	Premium/ (Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the issue price over/to the average closing price over the last 10 consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the issue price over/to the average closing price over the last 30 consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the issue price over/to the average closing price over the last 60 consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the issue price over/to the average closing price over the last 90 consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the issue price over/to the average closing price over the last 180 consecutive trading days up to and including the last trading day (%)
4-Dec-17	445	CIMC-TianDa Holdings Company Limited (formerly known as China Fire Safety Enterprise Group Limited)	0.37	(20.40)	(16.80)	(16.80)	(14.90)	(16.80)	(17.19)	(12.69)
28-Dec-17	6828	Beijing Gas Blue Sky Holdings Limited	0.50	(1.96)	(4.94)	(4.76)	(3.29)	(2.31)	(2.93)	(5.71)
5-Jan-18	362	China Zenith Chemical Group Limited	0.39	(10.30)	(2.00)	1.80	(11.63)	(15.51)	(9.22)	5.42
5-Jan-18	1177	Sino Biopharmaceutical Limited	12.73	(9.97)	(7.95)	(4.43)	6.88	18.01	29.81	53.74
18-Jan-18	1196	Realord Group Holdings Limited	4.74	(7.82)	(7.46)	(8.74)	(9.49)	(11.59)	(4.38)	3.71
23-Jan-18	1312	Tongfang Kontafarma Holdings Limited	0.50	–	–	(0.40)	(3.88)	(8.91)	(11.29)	(7.74)
14-Feb-18	1717	Ausnutria Dairy Corporation Limited	5.00	3.31	3.52	1.83	4.56	7.70	4.07	19.41
28-Mar-18	1341	Hao Tian International Construction Investment Group Limited	0.40	17.65	15.61	24.61	35.21	36.52	35.31	35.24
9-May-18	596	Inspur International Limited	2.65	(2.93)	(2.21)	(0.75)	3.25	7.77	10.65	16.65
30-May-18	108	GR Properties Limited	0.80	2.56	(2.44)	(5.88)	(5.27)	(11.22)	(15.41)	(24.32)
25-Jun-18	2688	ENN Energy Holdings Limited	80.00	(1.23)	4.49	3.33	2.96	7.79	14.16	20.30
5-July-18	164	China Baoli Technologies Holdings Limited	0.05729	(22.58)	(15.00)	(18.39)	(27.94)	(43.94)	(51.08)	(54.13)
			Average	**(4.47)**	**(2.93)**	**(2.38)**	**(1.96)**	**(2.71)**	**(1.46)**	**4.16**
			Minimum	**(22.58)**	**(16.80)**	**(18.39)**	**(27.94)**	**(43.94)**	**(51.08)**	**(54.13)**
			Maximum	**17.65**	**15.61**	**24.61**	**35.21**	**36.52**	**35.31**	**53.74**
		The Consideration Shares	**14.18**	**(3.54)**	**(5.79)**	**(7.49)**	**(5.43)**	**7.59**	**24.80**	**61.23**

Source: Website of the Stock Exchange

The Issue Price represents a discount of approximately 3.54% to the closing price of the Share on the Last Trading Day which is less than the average discount represented by the issue prices of the Comparable Share Issues to their respective closing prices on the last trading days. The Issue Price represents discounts deeper than the average discounts of those under the Comparable Share Issues for last 5, 10 and 30 consecutive trading days including the last trading day, respectively. However, we note that the Issue Price represents premiums compared with the average closing price for both the last 60 and 90 consecutive trading days including the last trading day, while the Comparable Share Issues represented discounts on average for corresponding the periods. The Issue Price also represents premium higher than the corresponding average premiums represented by those under the Comparable Share Issues for the longer period of last 180 consecutive trading days (the "**Last 180-Day Period**") including the last trading day. In addition, the discounts/premiums represented by the Issue Price are all within the range of those under the Comparable Share Issues for each of the aforesaid periods other than for the Last 180-Day Period, and the premium represented by the Issue Price over the average closing price for the Last 180-Day Period is even higher than all the individual discounts/premiums represented by the Comparable Share Issues for the same period.

Though the discounts represented by the Issue Price to the average closing price of the Share for the last 5, 10 and 30 consecutive trading days is deeper than the average discounts represented by the issue prices of the Comparable Share Issues for the corresponding periods, having considered that (i) the Issue Price represents a premium to the average closing price per Share for the Last Six-Month Period, Last Three-Month Period, the Pre-Announcement Period and the Review Period respectively; (ii) the Issue Price represents a premium of approximately 319.53% to the equity attributable to owners of the Company per Share of approximately RMB2.76 (equivalent to approximately HK$3.38 as at 31 December 2017; (iii) the Issue Price is considered generally in line with the market as the discounts/premiums represented by the Issue Price are all within or better than the range of those under the Comparable Share Issues for each of the aforesaid respective periods, and the Issue Price also represents a higher premium as compared to the average premiums represented by those under the Comparable Share Issues for longer periods of time, we are of the view that the Issue Price is fair and reasonable.

6.2 Effect on the shareholding structure of the Company

As disclosed in the Circular, the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Acquisition, is as follow:

Shareholders	**As at the Latest Practicable Date**		**Immediately after Completion and the allotment and issue of the Consideration Shares in full**[(2)]	
	Number of Shares	*approximately %*[(3)]	*Number of Shares*	*approximately %*[(3)]
Mr. Shum and his associate(s)[(1)]	1,350,000,000	55.06	1,369,566,400	55.41
Public Shareholders	1,102,000,000	44.94	1,102,000,000	44.59
Total	2,452,000,000	100.00	2,471,566,400	100.00

Notes:

1. 1,350,000,000 Shares are held by Mingyuan Investment, which is 100% owned by Mr. Shum.

2. The figures above assume that other than the Consideration Shares, no further Shares are issued or repurchased by the Company, and no Shares are sold or purchased by Mr. Shum or his associate(s), in each case on or after 5 June 2018 and up to the date the allotment and issue of the Consideration Shares.

3. The percentage figures included in this table are subject to rounding adjustment.

As shown in the table above and assuming the completion of the Sale and Purchase Agreement, including the issuance of the Consideration Shares, the shareholding in the Company held by the public Shareholders will be diluted by approximately 0.35% from approximately 44.94% to approximately 44.59%.

Although the shareholding interest of the existing public Shareholders will be diluted, considering (i) the benefits of the Acquisition as discussed under the sections under "3. Reasons for and benefits of the Sale and Purchase Agreement" above; (ii) as discussed under sections headed "5. Consideration" and "6. Evaluation of the Consideration Shares" above, terms of the Sale and Purchase Agreement, including the Consideration and the Issue Price, being fair and reasonable, we are of the view that the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable.

7. Financial effects

Earnings

Following completion of the Acquisition, each member of the Target Group will become a subsidiary of the Group and the financial results of the Target Group will be consolidated into the financial statements of the Group. The Management advised that no material gain or loss will be expected immediately upon the completion of the Acquisition and the issue of the Consideration Shares. Given the profitability of the Target Group for each of the latest two years ended 31 December 2017, we concur with the Directors' view that the Acquisition would contribute to the earnings base of the Group but the extent of such contribution will depend on the future performance of the Target Group.

Net asset value

Since the assets and liabilities of the Target Group will be consolidated into the financial statements of the Group upon completion of the Acquisition and the Issue Price being above the equity attributable to owners of the Company per Share as at 31 December 2017, the equity attributable to the owners of the Company is expected to be enhanced upon completion of the Acquisition.

Working capital

As at 31 December 2017, the Group had bank balances and cash of approximately RMB5,715.3 million. Since the Consideration will be satisfied as to HK$277,451,552 by the allotment and issue of Consideration Shares by the Company and as to HK$416,177,276 by cash, it is expected that the Acquisition would not have material adverse effect on the working capital of the Group immediately upon completion of the Acquisition.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon completion of the Acquisition and the issue of the Consideration Shares pursuant to the Acquisition.

8. Discussion

Having considered, in particular:

(i) the reasons for entering into the Sale and Purchase Agreement and transactions being in line with the Group's business direction;

(ii) the Consideration representing a discount to the Reassessed NAV attributable to owners of the Target Company after taking into account the latest valuation of the Shanghai Projects;

(iii) the Issue Price being at a premium over the average closing price per Share for each of the Last Six-Month Period, Last Three-Month Period, the Pre-Announcement Period and the Review Period respectively;

(iv) that the Issue Price is considered generally in line with the market when compared with the Comparable Share Issues;

(v) the dilution factor, as detailed in section headed "6.2 Effect on the shareholding structure of the Company" above, being considered acceptable so far as the Company and the Independent Shareholders are concerned; and

(vi) as discussed in details in section headed "7. Financial effects" above, no material adverse effect on the financial position and profitability of the Group would be expected immediately upon Completion,

we are of the view that the terms of the Transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that, though the Acquisition is not in the ordinary and usual course of the business of the Company, terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise that the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 May 2018 of the property interests held by Shanghai Dongyuan Property Development Co., Ltd., Shanghai Dingyuan Property Co., Ltd. and Shanghai Xiangyuan Property Co., Ltd.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

26 July 2018

The Board of Directors
Jiayuan International Group Limited (the "**Company**")
Suite 1403
9 Queen's Road Central
Central
Hong Kong

Dear Sirs,

The Board of the Company announced that on 5 June 2018, the Company entered into the Sale and Purchase Agreement with Mr. Shum Tin Ching (the "**Vendor**"), whereby the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of Huyuan Holdings Limited (滬源控股有限公司, a wholly-owned subsidiary of the Vendor, the "**Target Company**") at a consideration of HK$693,628,828 which will be settled (i) as to HK$277,451,552 by the allotment and issue of the 19,566,400 Consideration Shares by the Company to the Vendor or its nominee(s) at the Issue Price of HK$14.18 per Consideration Share; and (ii) as to HK$416,177,276 in cash.

In accordance with your instructions to value the property interests held by 上海東源房地產開發有限公司 (Shanghai Dongyuan Property Development Co., Ltd.), 上海定源房地產有限公司 (Shanghai Dingyuan Property Co., Ltd.) and 上海祥源房地產有限公司 (Shanghai Xiangyuan Property Co., Ltd.) (hereinafter together referred to as the "**Target Companies**") in the PRC, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 May 2018 (the "**valuation date**").

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

We have valued the property interests which are held for sale and held for future development by the Target Companies by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing the properties which were held for investment as at the valuation date, income approach was used by taking into account the rental income of the properties derived from the existing leases and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

For the purpose of our valuation, real estate development under development is that for which the Construction Works Commencement Permit has been issued while the Construction Works Certified Report or Certificate of Completion of the buildings have not been issued.

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

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

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

We have been shown copies of Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

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

The site inspection was carried out in March 2018 by Mr. Tony Xu who has obtained the bachelor degree in real estate appraisal and has 5 years' experience in the real estate industry of the PRC and Mr. Kevin Liu who has obtained Master Degree in real estate and infrastructure and has 1 year's experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

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

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

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

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

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 24 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Properties held for sale by the Target Companies in the PRC
Group II: Properties held for investment by the Target Companies in the PRC
Group III: Properties held for future development by the Target Companies in the PRC

No.	Property	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	Market value in existing state as at the valuation date *RMB*	The total market value in existing state as at the valuation date *RMB*
		Group I:	**Group II:**	**Group III:**	
1.	Huijing Huating No. 299 Gangjia Road Situan Town Fengxian District Shanghai The PRC (上海•匯景華庭)	239,100,000	60,100,000	–	299,200,000
2.	Fengcheng Mingdu Lane 3069 Lanbo Road Fengxian District Shanghai The PRC (上海•奉城名都)	36,400,000	288,500,000	–	324,900,000
3.	Jiayuan Dream Square located at the western side of Jinhai Road and the northern side of Fengzhe Road Zhelin County Fengxian District Shanghai The PRC (佳源夢想廣場)	594,000,000	159,000,000	348,000,000	1,101,000,000
	Total:				**1,725,100,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Huijing Huating No. 299 Gangjia Road Situan Town Fengxian District Shanghai The PRC (上海•匯景華庭)	Huijing Huating is located at No. 299 Gangjia Road in Fengxian District of Shanghai. It is well-served with public transportation. The locality is a developing residential area where public facilities such as municipal facilities and amenities are still under development. Huijing Huating occupies a parcel of land with a site area of approximately 30,710.5 sq.m., which had been developed into a residential and commercial development. The project was completed in 2017, and its unsold portions (the "**unsold units**") were vacant for sale or rented to various third parties as at the valuation date. As at the valuation date, the property comprised the pre-sold units which have not been legally transferred to various third parties, the unsold units and the units held for investment of Huijing Huating with a total gross floor area of approximately 47,204.38 sq.m. The classification, usage and gross floor area details of the property were set out in note 12. The land use rights of the property have been granted for terms expiring on 21 May 2083 for residential use and 21 May 2053 for commercial use.	As at the valuation date, portions of the property were vacant and the remaining portions were rented to various third parties for commercial purpose.	299,200,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Feng Gui Tu (2013) Chu Rang He Tong Di No. 35 dated 3 April 2013, the land use rights of a parcel of land with a site area of approximately 30,710.5 sq.m. (including the land use rights of the property) were contracted to be granted to Shanghai Dongyuan Property Development Co., Ltd. (上海東源房地產開發有限公司, "**Shanghai Dongyuan**") for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB134,000,000.

2. Pursuant to a Construction Land Planning Permit – Hu Feng Di (2013) EA31012020134482, permission towards the planning of the aforesaid land parcel with a site area of approximately 30,710.5 sq.m. (including the land use rights of the property) has been granted to Shanghai Dongyuan.

3. Pursuant to a Real Estate Title Certificate – Hu (2017) Feng Zi Bu Dong Chan Quan Di No. 007383, various buildings with a total gross floor area of approximately 33,191.53 sq.m. (including portion of the property) are owned by Shanghai Dongyuan and the corresponding land use rights have been granted to Shanghai Dongyuan for a term of 70 years expiring on 21 May 2083 for residential use.

4. Pursuant to a Real Estate Title Certificate – Hu (2018) Feng Zi Bu Dong Chan Quan Di No. 006708, various buildings with a total gross floor area of approximately 23,123.08 sq.m. (including portion of the property) are owned by Shanghai Dongyuan and the corresponding land use rights have been granted to Shanghai Dongyuan for a term of 40 years expiring on 21 May 2053 for commercial use.

5. Pursuant to a Real Estate Title Certificate – Hu (2017) Feng Zi Bu Dong Chan Quan Di No. 010452, various buildings with a total gross floor area of approximately 24,052.88 sq.m. (including portion of the property) are owned by Shanghai Dongyuan.

6. Pursuant to a Construction Work Planning Permit – Hu Feng Jian (2014) No. FA31012020145084 in favour of Shanghai Dongyuan, various buildings with a total gross floor area of approximately 90,724 sq.m. (including the property) have been approved for construction.

7. Pursuant to a Construction Work Commencement Permit – No. 310120201304272019 in favour of Shanghai Dongyuan, permission by the relevant local authority was given to commence the construction of Huijing Huating with a gross floor area of approximately 90,724.02 sq.m. (including the property).

8. Pursuant to 4 Pre-sale Permits – Fengxian Fang Guan (2015) Yu Zi No. 0000635, Fengxian Fang Guan (2017) Di No. 20170083, Fengxian Fang Guan (2017) Di No. 20170086 and Fengxian Fang Guan (2018) Di No. 20180104 in favour of Shanghai Dongyuan, Shanghai Dongyuan is entitled to sell portions of Huijing Huating (representing a total gross floor area of approximately 80,306.38 sq.m. (including the property)) to purchasers.

9. Pursuant to 2 Construction Work Completion and Inspection Certificates – 2017FX0005 and 2017FX0009 in favour of Shanghai Dongyuan, the construction of Huijing Huating with a gross floor area of approximately 90,522.4 sq.m. (including the property) has been completed and passed the inspection acceptance.

10. As at 31 May 2018, portions of the retail part of property with a total gross floor area of approximately 23,123.08 sq.m. were leased to 2 tenants with the expiry date on 31 December 2020. The total annual rental as at 31 May 2018 was approximately RMB12,430,000, exclusive of management fees, water and electricity charges. (including portion of units categorized as properties held for investment with a gross floor area of approximately 7,844.14 sq.m. and portion of units categorized as properties held for sale with a gross floor area of approximately 15,278.94 sq.m.)

11. As at the valuation date, the property comprised seven 14-storey residential buildings and two 14-storey commercial buildings. Externally the property was kept in a reasonable maintenance condition commensurate with its age. Internally the property was fine decorated for the residential building and in a bare-shell state with no decoration for the remaining units. According to the advice of Shanghai Dongyuan and upon our site inspection, all main utility services including electricity, water, gas, sewerage, telecommunication and security system are available to the property.

12. According to the information provided by Shanghai Dongyuan, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area** *(sq.m.)*	**Nos. of car parking space**
Group I – held for sale by Shanghai Dongyuan	Retail	15,278.94	
	Residential	477.22	
	Underground Car parking space	23,604.08	633
Group II– held for investment by Shanghai Dongyuan	Retail	7,844.14	
	Total:	**47,204.38**	**633**

13. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The selected comparables are residential and retail units within the same development/building of the subject property and other newly completed or to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2018. The unit price of these comparable properties ranges from RMB17,000 to RMB20,000 per sq.m. for residential units, RMB20,000 to RMB30,000 per sq.m. for retail units and RMB80,000 to RMB120,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

As advised by the Target Companies, a residential unit and 4 underground car parking spaces of the property with a total gross floor area of approximately 238.71 sq.m. have been pre-sold to various third parties at a total consideration of RMB1,900,000. Such portions of the property have not been transferred and therefore we have included them in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

We have also considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the retail portion of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;

a. The unit rent of these comparable retail units range from RMB5.3 to RMB6.7 per sq.m. per day; and

b. Based on our research on retail market in the surrounding area of the property, the stabilized market yield ranged from 6% to 7% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for retail as the capitalization rate in the valuation.

14. We have been provided with a legal opinion regarding the property interest by the Target Companies' PRC legal adviser, which contains, inter alia, the following:

a. Shanghai Dongyuan is legally and validly in possession of the land use rights of the property. Shanghai Dongyuan has the rights to occupy and use the land of the property, but the transfer of this mortgaged property is subject to the mortgage until the mortgage has been released;

b. For the property of which the relevant Construction Work Completion and Inspection Certificates have been obtained, Shanghai Dongyuan has the rights to legally occupy, use and lease portions of the property; and

c. The buildings mentioned in note 4 are subject to a mortgage in favour of China Huarong Asset Management Limited (Zhejiang Branch), ("**Huarong Zhejiang**") as security to guarantee the principal obligation under a contract entered into between Huarong Zhejiang and Shanghai Dongyuan with the security term from 28 March 2017 to 15 June 2019.

15. A summary of major certificates/approvals is shown as follows:

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

16. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I – held for sale by the Target Companies	239,100,000
Group II – held for investment by the Target Companies	60,100,000
Total:	**299,200,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Fengcheng Mingdu Lane 3069 Lanbo Road Fengxian District Shanghai The PRC (上海•奉城名都)	Fengcheng Mingdu is located at Lane 3069 Lanbo Road in Fengxian District of Shanghai. It is well-served with public transportation. The locality is a developed residential and commercial area. Fengcheng Mingdu occupies 3 parcels of land with a total site area of approximately 34,000.40 sq.m., which had been developed into a residential and commercial development. The project was completed in 2015, and its unsold portions (the "**unsold units**") were vacant for sale or rented to various third parties as at the valuation date. As at the valuation date, the property comprised the unsold units and the units held for investment of Fengcheng Mingdu with a total gross floor area of approximately 20,903.99 sq.m. The classification, usage and gross floor area details of the property were set out in note 11. The land use rights of the property have been granted for terms expiring on 19 December 2082 for residential use and 19 December 2052 for commercial use.	As at the valuation date, portions of the property were vacant and the remaining portions were rented to various third parties for commercial purpose.	324,900,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Feng Gui Tu (2013) Chu Rang He Tong Di No. 163 dated 1 November 2012 and a Supplementary Contract dated 16 January 2013, the land use rights of a parcel of land with a site area of approximately 34,000.8 sq.m. (including the land use rights of the property) were contracted to be granted to Shanghai Dingyuan Property Co., Ltd. (上海定源房地產有限公司, "**Shanghai Dingyuan**") for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB117,500,000.

2. Pursuant to a Construction Land Planning Permit – Hu Feng Di (2013) EA31012020134084, permission towards the planning of the aforesaid land parcel with a site area of approximately 34,000.8 sq.m. (including the land use rights of the property) has been granted to Shanghai Dingyuan.

3. Pursuant to 2 Real Estate Title Certificates – Hu Fang Di Feng Zi (2015) Di Nos. 010931 and 010938, various buildings with a total gross floor area of approximately 46,347.58 sq.m. (including the property) are owned by Shanghai Dingyuan and the land use rights of two parcels of land with a total site area of approximately 24,061 sq.m. have been granted to Shanghai Dingyuan for a term of 70 years expiring on 19 December 2082 for residential use.

4. Pursuant to 2 Real Estate Title Certificates – Hu (2017) Feng Zi Bu Dong Chan Quan Di Nos. 013992 and 013987, various buildings with a total gross floor area of approximately 13,620.86 sq.m. (including the property) are owned by Shanghai Dingyuan and the land use rights of two parcels of land with a total site area of approximately 9,939.4 sq.m. have been granted to Shanghai Dingyuan for a term of 40 years expiring on 19 December 2052 for commercial use.

5. Pursuant to a Construction Work Planning Permit – Hu Feng Jian (2013) No. FA31012020135388 in favour of Shanghai Dingyuan, various buildings with a total gross floor area of approximately 68,628.17 sq.m. (including the property) have been approved for construction.

6. Pursuant to a Construction Work Commencement Permit – No. 310120201301221919 in favour of Shanghai Dingyuan, permission by the relevant local authority was given to commence the construction of Fengcheng Mingdu with a gross floor area of approximately 68,623.36 sq.m. (including the property)。

7. Pursuant to 3 Pre-sale Permits – Fengxian Fang Guan (2014) Yu Zi Nos. 0000010, 0000150 and 0000151 in favour of Shanghai Dingyuan, Shanghai Dingyuan is entitled to sell portions of Fengcheng Mingdu (representing a total gross floor area of approximately 59,461.88 sq.m. (including the property)) to purchasers.

8. Pursuant to a Construction Work Completion and Inspection Certificate – 2015FX0056 in favour of Shanghai Dingyuan, the construction of Fengcheng Mingdu with a gross floor area of approximately 68,628.17 sq.m. (including the property) has been completed and passed the inspection acceptance.

9. As at 31 May 2018, portions of the retail part of property with a total gross floor area of approximately 13,620.86 sq.m. were leased to a tenant with the expiry date on 31 December 2020. The total annual rental as at 31 May 2018 was approximately RMB12,802,000, exclusive of management fees, water and electricity charges.

10. As at the valuation date, the property comprised three 11-storey residential buildings, three 14-storey residential buildings and various street shops. Externally the property was kept in a reasonable maintenance condition commensurate with its age. Internally the property was fine decorated for 3 residential buildings and in a bare-shell state with no decoration for the remaining units. According to the advice of Shanghai Dingyuan and upon our site inspection, all main utility services including electricity, water, gas, sewerage, telecommunication and security system are available to the property.

11. According to the information provided by Shanghai Dingyuan, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area** *(sq.m.)*	**Nos. of car parking space**
Group I – held for sale by Shanghai Dingyuan	Residential	806.68	
	Underground Car parking space	6,476.45	215
Group II– held for investment by Shanghai Dingyuan	Retail	13,620.86	
	Total:	**20,903.99**	**215**

12. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The selected comparables are residential and retail units within the same development/building of the subject property and other newly completed or to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2018. The unit price of these comparable properties ranges from RMB20,000 to RMB23,000 per sq.m. for residential units, RMB20,000 to RMB30,000 per sq.m. for retail units and RMB80,000 to RMB120,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

As advised by the Target Companies, a residential unit of the property with a gross floor area of approximately 130.29 sq.m. has been pre-sold to a third party at a consideration of RMB2,000,000. Such portion of the property has not been transferred and therefore we have included the unit in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted price of such portion of the property.

We have also considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the retail portion of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;

a. The unit rent of these comparable retail units range from RMB5.3 to RMB6.7 per sq.m. per day; and

b. Based on our research on retail market in the surrounding area of the property, the stabilized market yield ranged from 6% to 7% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for retail as the capitalization rate in the valuation.

13. We have been provided with a legal opinion regarding the property interest by Target Companies' PRC legal adviser, which contains, inter alia, the following:

a. Shanghai Dingyuan is legally and validly in possession of the land use rights of the property. Shanghai Dingyuan has the rights to occupy and use the land of the property, but the transfer of this mortgaged property is subject to the mortgage until the mortgage has been released;

b. For the property of which the relevant Construction Work Completion and Inspection Certificates have been obtained, Shanghai Dingyuan has the rights to legally occupy, use and lease portions of the property; and

c. The buildings mentioned in note 4 are subject to a mortgage in favour of China Huarong Asset Management Limited (Zhejiang Branch), ("**Huarong Zhejiang**") as security to guarantee the principal obligation under a contract entered into between Huarong Zhejiang and Shanghai Dingyuan with the security term from 28 March 2017 to 15 June 2019.

14. A summary of major certificates/approvals is shown as follows:

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

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I – held for sale by the Target Companies	36,400,000
Group II – held for investment by the Target Companies	288,500,000
Total:	**324,900,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Jiayuan Dream Square located at the western side of Jinhai Road and the northern side of Fengzhe Road Zhelin County Fengxian District Shanghai The PRC (佳源夢想廣場)	Jiayuan Dream Square is located at the western side of Jinhai Road and the northern side of Fengzhe Road in Fengxian District of Shanghai, which is a highly developing new area in Fengxian District. The property was developed into a mix-used development complex comprising commercial, residential, and underground car parking spaces components for serving the local and colleges in that area. Jiayuan Dream Square occupies a parcel of land with a site area of approximately 157,690.50 sq.m. developed by phases. Phase I was completed in June 2017, and comprises the retail buildings, underground car parking spaces and a commercial building with a total gross floor area of approximately 47,642.16 sq.m. Phases II and III were completed in December 2017, and comprise residential buildings and underground parking spaces with total gross floor area of approximately 68,249.19 sq.m. and Phase IV and V are bare land for future development. As at the valuation date, the property comprised the pre-sold units which have not been legally transferred to various third parties, and the unsold portion of Phase II, Phase III and portion of Phase I with a total gross floor area of approximately 102,104.28 sq.m. which are held for sale, the remaining portion of Phase I with a total gross floor area of approximately 13,787.07 sq.m. which is held for investment and Phases IV and V that are remaining land with a total site area of approximately 46,077.30 sq.m. with a planned above-ground gross floor area of approximately 29,694.69 sq.m. for residential use and 33,978.90 sq.m. for commercial use which are held for future development. The classification, usage and gross floor area details of the property were set out in note 12. The land use rights of the property have been granted for terms expiring on 1 August 2083 for residential use and 1 August 2053 for commercial use.	As at the valuation date, portions of the property were vacant and the remaining portions were rented to various third parties for commercial purpose.	1,101,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Feng Gui Tu (2013) Chu Rang He Tong Di No. 64 dated 27 June 2013, the land use rights of a parcel of land (including the land use rights of the property) with a site area of approximately 157,690.50 sq.m. were contracted to be granted to Shanghai Xiangyuan Property Co., Ltd. (上海祥源房地產有限公司, "**Shanghai Xiangyuan**") for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB675,000,000.

2. Pursuant to a Construction Land Planning Permit – Hu Feng Di (2013) EA31012020134819, permission towards the planning of the aforesaid land parcel with a site area of approximately 157,690.50 sq.m. (including the land use rights of the property) has been granted to Shanghai Xiangyuan.

3. Pursuant to 2 Real Estate Title Certificates – Hu (2017) Feng Zi Bu Dong Chan Quan Di Nos.018207 and 018208, various buildings with a total gross floor area of approximately 47,293.66 sq.m. (including portion of the property) are owned by Shanghai Xiangyuan and land use rights of a parcel of land with a site area of approximately 38,213.30 sq.m. have been granted to Shanghai Xiangyuan for a term of 40 years expiring on 1 August 2053 for commercial use.

4. Pursuant to a Real Estate Title Certificate – Hu (2017) Feng Zi Bu Dong Chan Quan Di No.007228, various buildings with a total gross floor area of approximately 68,773.31 sq.m. (including portion of the property) are owned by Shanghai Xiangyuan and land use rights of a parcel of land with a site area of approximately 30,541.20 sq.m. have been granted to Shanghai Xiangyuan for a term of 70 years expiring on 1 August 2083 for residential use.

5. Pursuant to a Real Estate Title Certificate – Hu Fang Di Feng Zi (2013) Di No.013810, the land use rights of a parcel of land with site area of approximately 88,936 sq.m. (including the property) are owned by Shanghai Xiangyuan for a term of 70 years expiring on 1 August 2083 for residential use.

6. Pursuant to 3 Construction Work Planning Permits – Hu Feng Jian (2014) Nos. FA31012020144980, FA31012020144981 and Hu Feng Jian (2015) No. FA31012020155626 in favour of Shanghai Xiangyuan various buildings with a total gross floor area of approximately 285,201.34 sq.m. (including the property) has been approved for construction.

7. Pursuant to 3 Construction Work Commencement Permits – No. 1302FX0234D01, 1302FX0234D02 and 1302FX0234D03 in favour of Shanghai Xiangyuan, permission by the relevant local authority was given to commence the construction of Jiayuan Dream Square with a gross floor area of approximately 284,968.78 sq.m. (including the property).

8. Pursuant to 6 Pre-sale Permits – Feng Xian Fang Guan (2015) Yu Zi Nos. 0000112 and 0000711, Feng Xian Fang Guan (2016) Yu Zi No. 0000387 and Feng Xian Fang Guan (2017) Yu Zi Nos. 20170052, 0000007 and 0000094 in favour of Shanghai Xiangyuan, Shanghai Xiangyuan is entitled to sell portions of Jiayuan Dream Square (representing a total gross floor area of approximately 195,020.57 sq.m. (including the property)) to purchasers.

9. Pursuant to 3 Construction Work Completion and Inspection Certificates – Nos. 2017FX0053, 1302FX0234 and 2017FX0132 in favour of Shanghai Xiangyuan, the construction of Jiayuan Dream Square with a gross floor area of approximately 283,441.36 sq.m. (including the property) has been completed and passed the inspection acceptance.

10. As at 31 May 2018, portions of the property with a total gross floor area of approximately 30,326.33 sq.m. were leased to two tenants with expiry date on 31 December 2020. The total annual rental as at 31 May 2018 was approximately RMB53,778,100, exclusive of management fees, water and electricity charges (including portion of units held for investment with a gross floor area of approximately 13,787.07 sq.m. and portion of units held for sale with a gross floor area of approximately 16,539.26 sq.m.).

11. As at the valuation date, the property comprised five phases with commercial and residential complex. Phase I comprised a 4-storey podium and a 6-storey commercial building (from level 4 to level 9), which physically connected with the podium. Phases II and III are residential buildings. Phases IV and V comprised the remaining bare land for future development, which are planned to be developed into office and residential buildings. Externally the property was kept in a reasonable maintenance condition commensurate with its age. Internally the property was fine decorated for a residential building and in a bare-shell state with no decoration for remaining units. According to the advice of Shanghai Xiangyuan and upon our site inspection, all main utility services including electricity, water, gas, sewerage, telecommunication and security system are available to the property.

12. According to the information provided by Shanghai Xiangyuan, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area** *(sq.m.)*	**Site Area** *(sq.m.)*	**Nos. of car parking space**
Group I – held for sale by Shanghai Xiangyuan	Residential (Phases II and III)	6,439.53	–	
	Retail (Phase I)	18,583.83		
	Underground Car parking spaces (Phase II)	20,029.58		517
	Underground Car Parking Spaces (Phase I)	15,271.26		363
	Underground Car Parking Spaces (Phase III)	41,780.08		1,144
Group II – held for investment by Shanghai Xiangyuan	Commercial Building (Phase I)	13,787.07		
Group IV – held for future development by Shanghai Xiangyuan	Bare Land (Phases IV and V)	–	46,077.30	
	Total:	**115,891.35**	**46,077.30**	**2,024**

13. In the valuation of this property, we have relied on the legal opinion and have attributed no commercial value to underground parking space (Phase I) with a total gross floor area of approximately 15,271.26 sq.m. (363 spaces) and underground parking space (Phase III) with a total gross floor area of approximately 41,780.08 sq.m. (1,144 spaces), which have not obtained sales scheme registration and real estate title certificate and could not be freely transferred. However, for reference purpose, we are of them that the market value of the property as at the valuation date would be RMB166,595,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

14. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The selected comparables are residential and retail units within the same development/building of the subject property and other newly completed or to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2018. The unit price of these comparable properties ranges from RMB17,000 to RMB22,000 per sq.m. for residential units, RMB20,000 to RMB30,000 per sq.m. for retail units and RMB80,000 to RMB120,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

We have considered some land comparables with similar characteristics as the subject land parcels of the property in the same area as the property. The accommodation value of these land comparables range from RMB7,000 to RMB10,000 per sq.m. for residential use and RMB3,000 to RMB4,500 per sq.m. for commercial use. Appropriate adjustment and analysis are considered to the differences in location, size, and other characters between comparable lands and the land to arrive at an assumed unit rate for the land.

As advised by the Target Companies, 59 residential units, 14 retail units and 111 underground car parking spaces (Phase II) of the property with a total gross floor area of approximately 13,370.28 sq.m. have been pre-sold to various third parties at a total consideration of RMB253,144,000. Such portions of the property have not been transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

We have also compared with similar developments which are located in the similar areas as the commercial building of the subject property, for the calculation of market rent:

a. The unit rent of these comparables range from RMB1.9 to RMB2.2 per sq.m. per day; and

b. Based on our research on commercial property market in the surrounding area of the property, the stabilized market yield ranged from 6% to 7% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial building as the capitalization rate in the valuation.

15. We have been provided with a legal opinion regarding the property interest by Target Companies' PRC legal adviser, which contains, inter alia, the following:

a. Shanghai Xiangyuan is legally and validly in possession of the land use rights of the property. Shanghai Xiangyuan has the rights to occupy and use the land of the property, but the transfer of this mortgaged property is subject to the mortgage until the mortgage has been released;

b. For the property of which the relevant Construction Work Completion and Inspection Certificates have been obtained, Shanghai Xiangyuan has the rights to legally occupy, use and lease portions of the property;

c. Portions of the buildings mentioned in note 3 with a gross floor area of approximately 28,302.86 sq.m. are subject to a mortgage in favour of China Huarong Asset Management Limited (Zhejiang Branch), ("**Huarong Zhejiang**") as security to guarantee the principal obligation under a contract entered into between Huarong Zhejiang and Shanghai Xiangyuan with the security term from 28 March 2017 to 15 June 2019; and

d. Sales scheme registration of underground parking space (Phase I) with a total gross floor area of approximately 15,271.26 sq.m. (363 spaces) and underground parking space (Phase III) with a total gross floor area of approximately 41,780.08 sq.m. (1,144 spaces) and real estate title certificate mentioned in note 13 are under application. After all relevant registration sales scheme and real estate title certificate have been obtained, these underground car parking space could be freely transferred.

16. A summary of major certificates/approvals is shown as follows:

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

17. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I – held for sale by the Target Companies	594,000,000
Group II – held for investment by the Target Companies	159,000,000
Group III – held for future development by the Target Companies	348,000,000
Total:	**1,101,000,000**

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 enquires, 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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules, were as follows:

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Total number of Shares(1)	Approximate percentage of total shareholding(5)
Mr. Shum	Interest of a controlled corporation	1,350,000,000(2)(4)(L)	55.06%
	Beneficial owner	19,566,400(3)(L)	0.80%
	Interest of a controlled corporation	600,000,000(4)(S)	24.47%

Notes:

1. The letters "L" and "S" denote the Director's long position and short position in the Shares respectively.

2. The disclosed interest represents an interest in 1,350,000,000 Shares held by Mingyuan Investment. Mingyuan Investment is wholly owned by Mr. Shum. Therefore, Mr. Shum is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.

3. The disclosed interest represents an interest in 19,566,400 Consideration Shares to be allotted and issued by the Company to Mr. Shum or his nominee(s) under the Sale and Purchase Agreement.

4. On 29 June 2017, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 600,000,000 Shares out of 1,350,000,000 Shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum to CCB International Overseas Limited.

5. The percentage shareholding in the Company is calculated on the basis of 2,452,000,000 Shares in issue as at the Latest Practicable Date.

(b) Interest in shares of Mingyuan Investment

Name of Director	Nature of interest	Total number of shares[(1)]	Approximate percentage of total shareholding
Mr. Shum	Beneficial owner	150,000(L)	100%

Note:

1. The letter "L" denotes the Director's long position in the shares of Mingyuan Investment.

Save as disclosed above, as at the Latest Practicable Date, no other Directors and chief executive of the Company had any interests and 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 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 any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Other Directors' interest

At the Latest Practicable Date, except Mr. Shum, being the sole director of Mingyuan Investment, none of the Directors was a director or employee of a company which had or was deemed to have an interest or short position in the Shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts 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).

4. DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, save for Mr. Shum's interest in the Target Group which is the subject of the Acquisition, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Shum is the non-executive Director and the Chairman of the Company, as well as the ultimate owner of a group of real estate development companies (other than members of the Group) (i.e. the Private Group). The core businesses of the Private Group are real estate development in the Non-Target Cities in the PRC other than those cities which the Group has operation therein, as more fully described in the section headed "Relationship with the Controlling Shareholder" of the Prospectus. Mr. Shum and Mingyuan Investment entered into the Deed of Non-Competition in favour of the Company pursuant to which Mr. Shum and Mingyuan Investment have jointly and severally undertaken not to compete with the business of the Group.

Further, Mr. Shum is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its Shareholders as a whole. Therefore, the Group is capable of carrying on its business independently of, and at arm's length from, the business of the Private Group.

Saved as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. EXPERTS AND CONSENT

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Somerley	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	independent property valuer

(a) As at the Latest Practicable Date, each of the above experts had no shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(b) As at the Latest Practicable Date, each of the above experts did not have any interest, direct or indirect, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) 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 letter or report (as the case may be) and references to its name in the form and context in which it appears.

(d) The letter or report (as the case may be) from the above experts is given as of the date of this circular for incorporation therein.

9. GENERAL

(a) Unless otherwise stated, the English text of this circular shall prevail over the Chinese text in case of inconsistency.

(b) The company secretary of the Company is Ms. Wong Tak Yee, *FCS, FCIS*. Ms. Wong is a Chartered Secretary and a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

(c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(d) The principal place of business of the Company in the PRC is situated at No. 59, Gu Jia Ying Road, Xuanwu District, Nanjing, PRC.

(e) The headquarters is situated at Room 1403, 9 Queen's Road Central, Hong Kong.

(f) The principal share registrar of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(g) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's headquarters at Room 1403, 9 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (public holidays excluded) from the date of this circular up to and including the date which is 14 days from the date of this circular:

(i) the Sale and Purchase Agreement;

(ii) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(iii) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from Somerley" of this circular;

(iv) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix I to this circular; and

(v) the written consents referred to in the paragraph headed "Experts and Consent" in this Appendix.

Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Jiayuan International Group Limited (the "**Company**") will be held at Victoria II, 2/F, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Friday, 10 August 2018 at 10:30 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular dated 26 July 2018 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

"**THAT**:

(A) the Sale and Purchase Agreement (a copy of which has been produced to the meeting and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;

(B) the grant of the Specific Mandate for the allotment and issue of the 19,566,400 Consideration Shares subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified; and

(C) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon."

By Order of the Board
Jiayuan International Group Limited
Cheuk Hiu Nam
Executive Director

Hong Kong, 26 July 2018

Headquarters:
Room 1403
9 Queen's Road Central
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Notes:

1. A form of proxy for the meeting is enclosed.

2. The resolution at the meeting will be taken by poll (except where the chairman of the meeting decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the articles of association of the Company. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

3. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend, and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

   On a show of hands every shareholder who is present in person or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a shareholder which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. If a shareholder (other than a clearing house (or its nominees)) appoints more than one proxy, only one of the proxies so appointed and specified in the form of proxy is entitled to vote on the resolution on a show of hands. In the case of a poll, every shareholder present in person or by proxy(ies) shall be entitled to one vote for each share held by him.

4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than 10:30 a.m. on 8 August 2018) or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Shareholders of the Company who are entitled to attend and vote at the meeting are those whose names appear as shareholders of the Company on the register of members of the Company as at the close of business on Monday, 6 August 2018. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 August 2018.

6. A circular containing further details concerning items set out in the notice will be sent to the all shareholders of the Company.

7. Reference to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the non-executive Director of the Company is Mr. Shum Tin Ching; the executive Directors of the Company are Mr. Huang Fuqing, Ms. Cheuk Hiu Nam and Mr. Wang Jianfeng; and the independent non-executive Directors of the Company are Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang.