



JONES LANG
LASALLE®

仲量聯行

Real value in a changing world

Development Consultancy for Namtai Project, Shenzhen

Presented to :
Zastron Electronic (Shenzhen) Co., Ltd.

8th November 2013

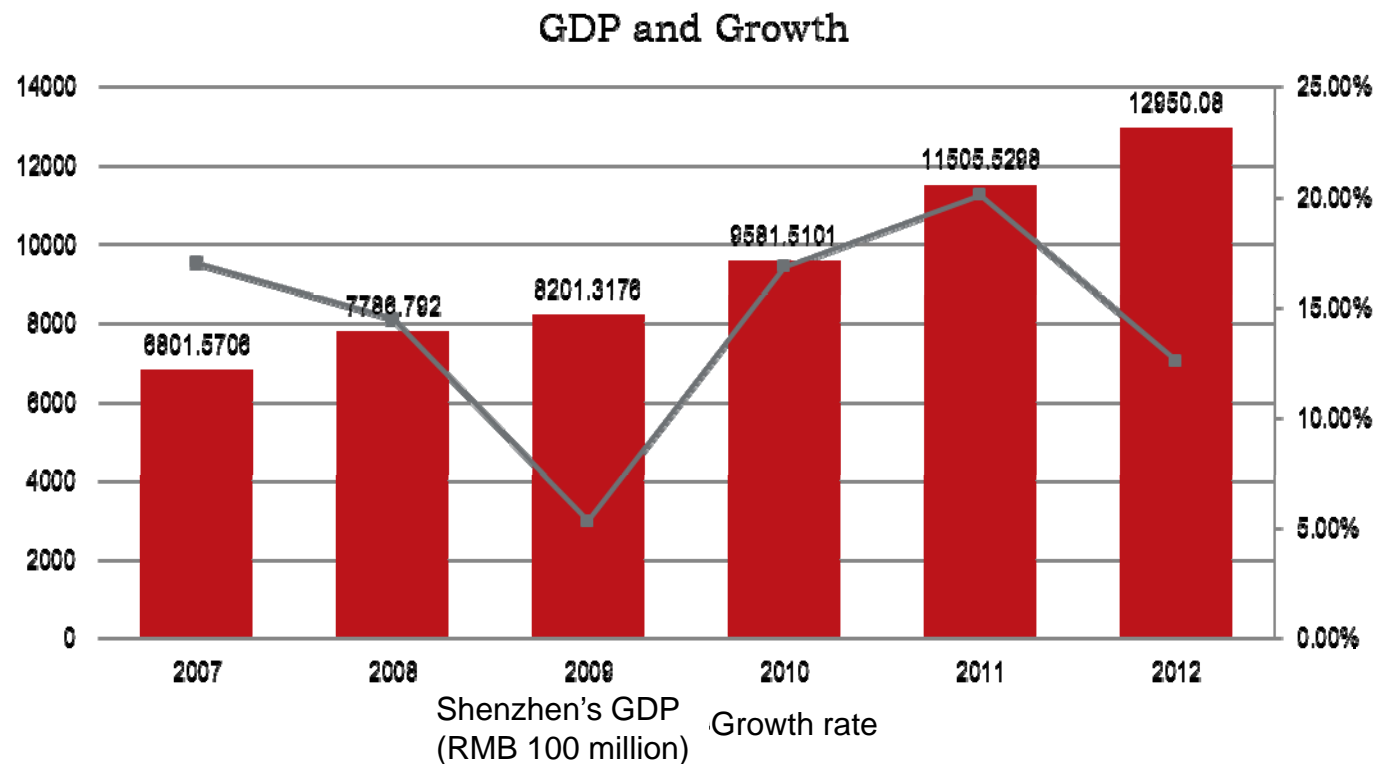


Contents

- 1. Macroeconomic Analysis**
- 2. Market Analysis**
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
- 3. Baseline Review**
- 4. SWOT**
- 5. Overall Positioning**
- 6. Positioning, by component**
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
- 7. Financial Analysis**
- 8. Risk Analysis**

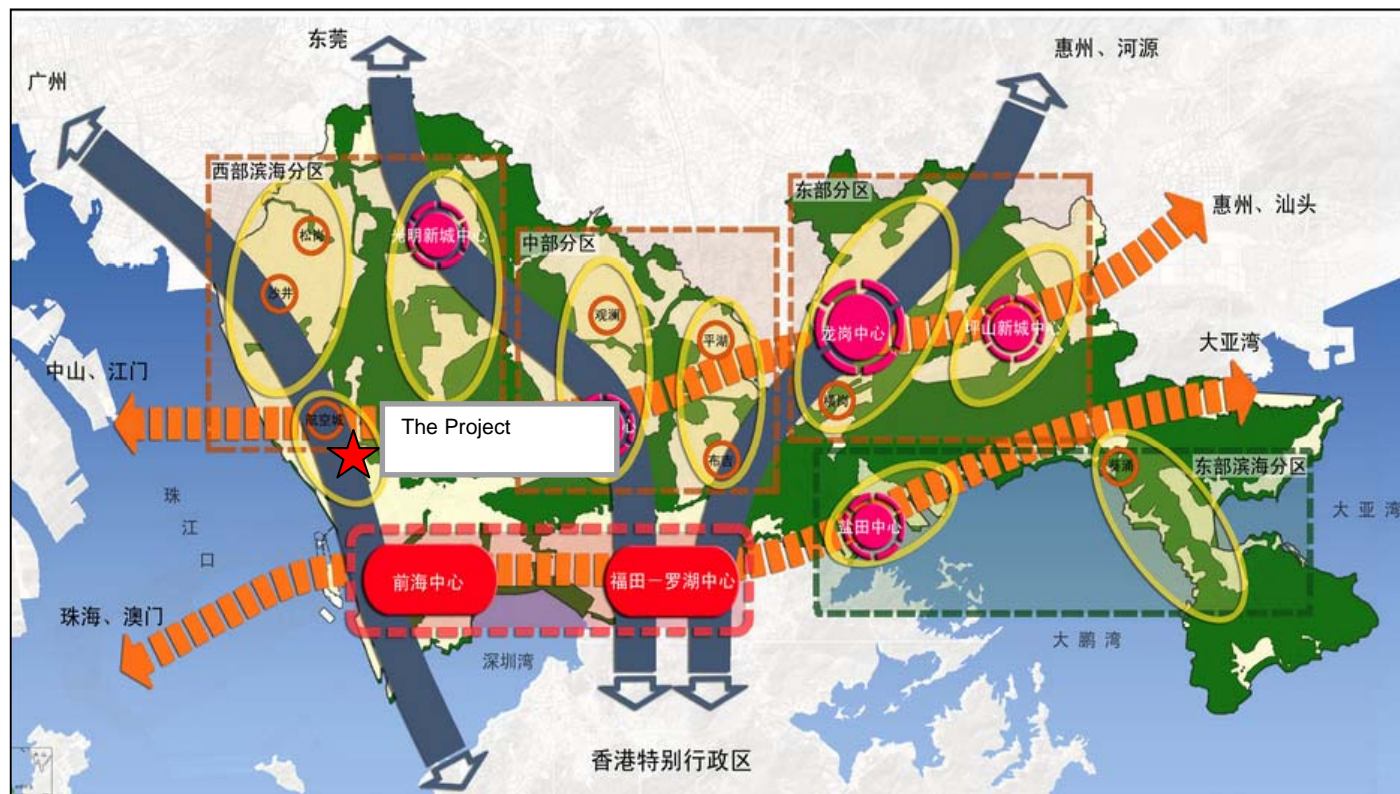
City Economic Profile :

- Shenzhen maintains stable economic growth, with five straight years of over 10% GDP growth annually from 2007 (RMB 676.5 billion) to 2012 (RMB 1,295 billion).
- In 2011, Shenzhen's GDP rose beyond RMB 1 trillion, making it the fourth largest city in China in terms of GDP following Shanghai, Beijing and Guangzhou.



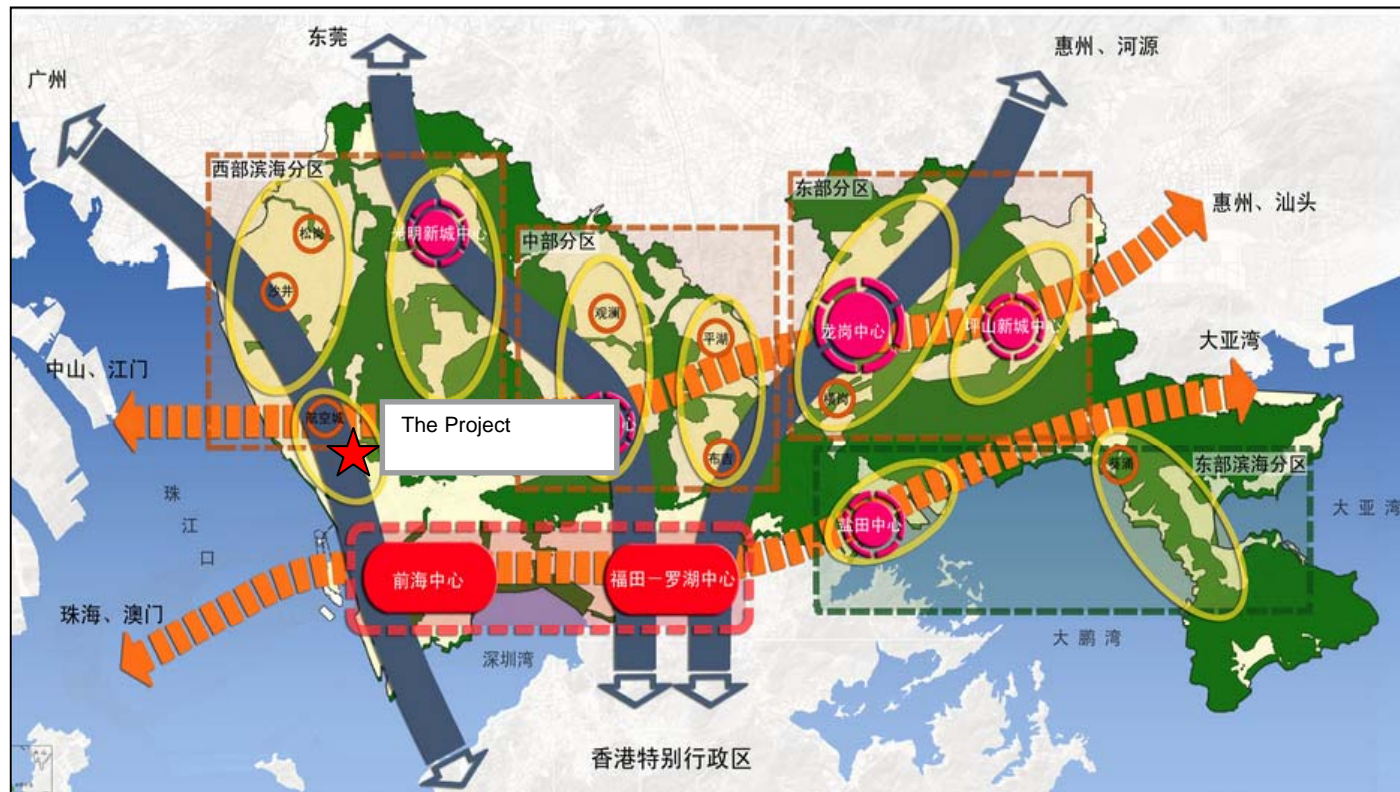
“Overall Urban Planning of Shenzhen, 2010-2020”

- **Three vertical axes:** west development axis, middle development axis and east development axis
- **Two horizontal axes:** north development axis, south development axis
- **Multiple centers:** Main centers of the city: Futian—Luohu center, **Qianhai center**
- **Sub-centers:** Longgang center, Longhua center, Guangming new city center, Pingshan new city center, Yantian center
- **Cluster centers:** **Aviation City**, Shajing, Songgang, Guanlan, Pinghu, Buji, Henggang, Kuiyong



“Overall Urban Planning of Shenzhen, 2010-2020”

- Bao'an Central District is located in the core center of Qianhai CBD on the west development axis in Shenzhen.
- It will form a new municipal –level center with high-end service functionalities for the city and the area.
- It is also a core functional area to deepen Shenzhen-HK cooperation and accelerate international cooperation.
- The project is 7 km from Bao'an Central District and 12 km from Qianhai CBD.

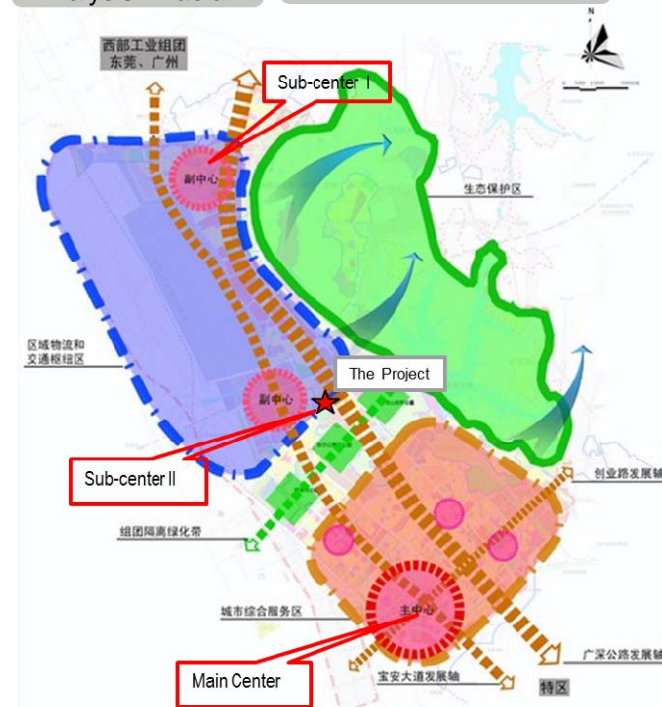
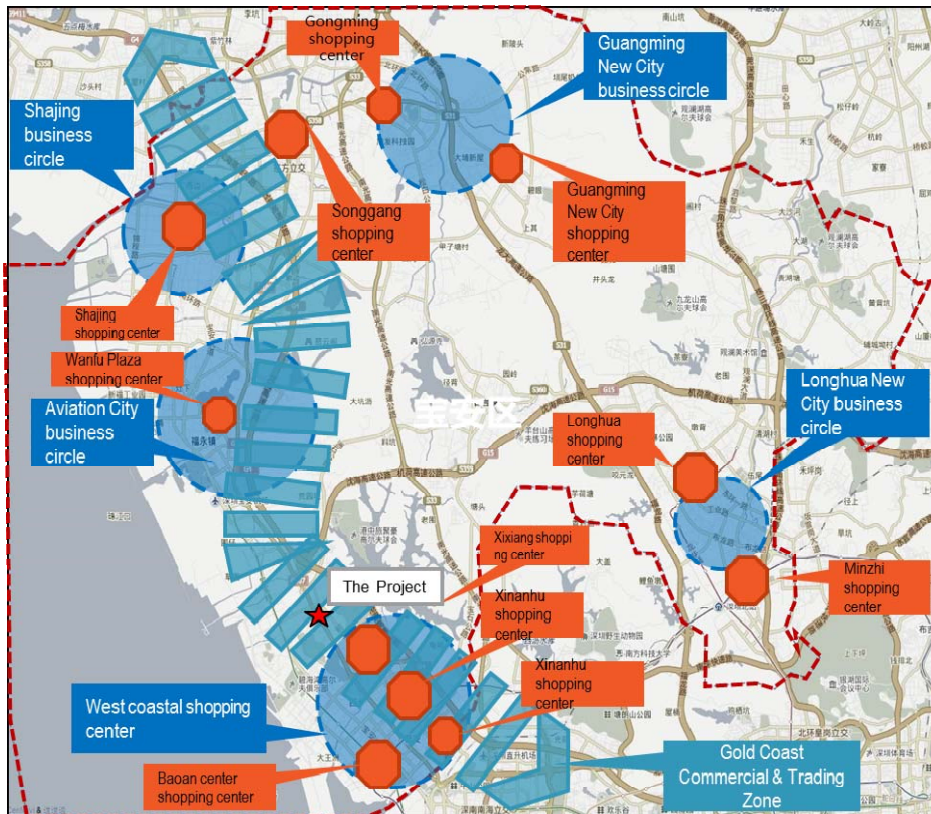


Planning and Land
Resources
Commission of
Shenzhen Municipality

Shenzhen Bao'an
Economic Promotion
Bureau

District Functional Plan: Industrial Extension Functional Zone emphasizes on the development of modern logistics and high-tech industries.

Cluster Planning: Aviation City Logistic Park Center mainly provides supporting service facilities for the logistic industrial cluster.



Plan on Clustering and Zoning in Bao'an Center,

Official Planning
Department of
Shenzhen

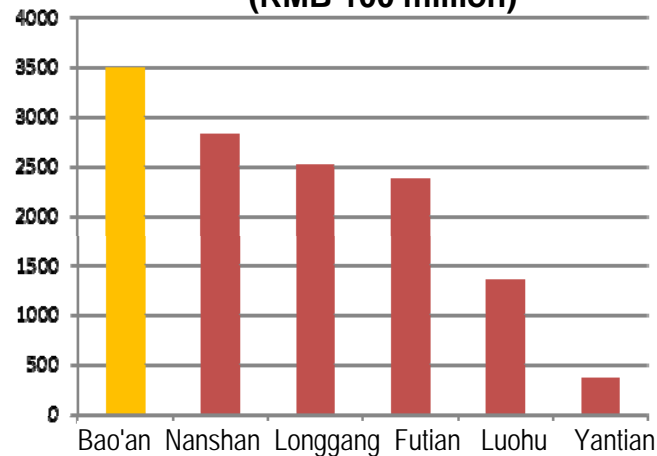
Transportation
Commission of
Shenzhen Municipality

Commercial Development Plan: The project is located between West Coastal Commercial Center and Aviation City business circle, outside of any of the core business circles of Bao'an.

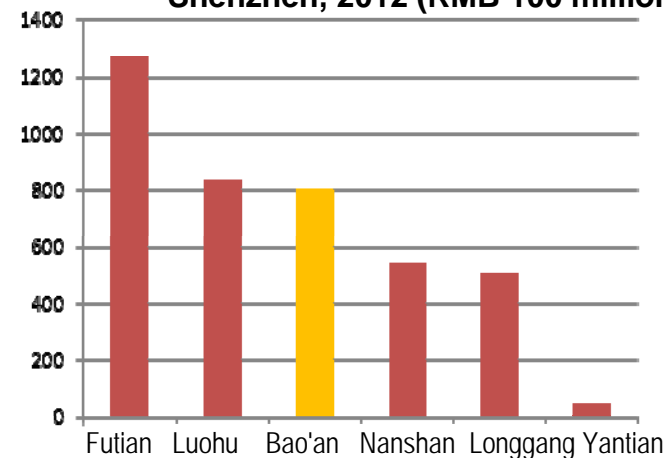
Transportation Planning: According to the "12th Five-year Plan" for transportation, the construction of sea-air-land multidimensional hubs will boost industrial development in Bao'an.

GDP per capita and total retail sales of consumer goods per capita of Bao'an District in 2012 were lower than those of other districts in Shenzhen.

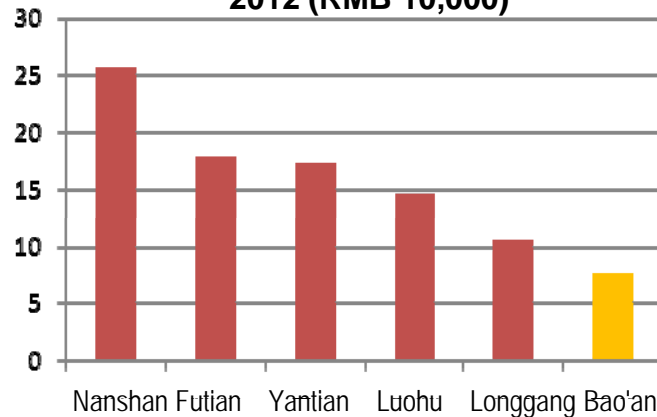
**GDP by district in Shenzhen, 2012
(RMB 100 million)**



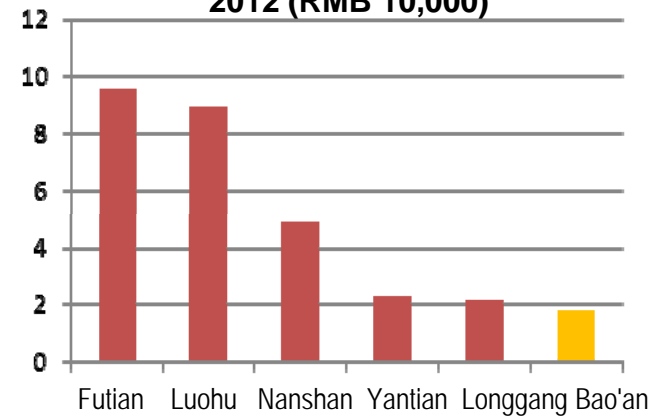
**Total retail sales of consumer goods by district in
Shenzhen, 2012 (RMB 100 million)**



**GDP per capita by district in Shenzhen,
2012 (RMB 10,000)**



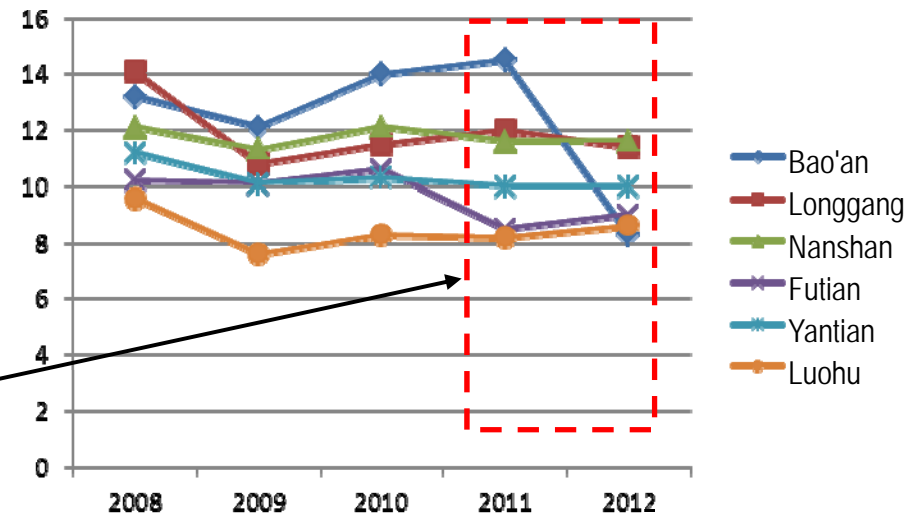
**Total retail sales of consumer goods
per capita by district in Shenzhen,
2012 (RMB 10,000)**



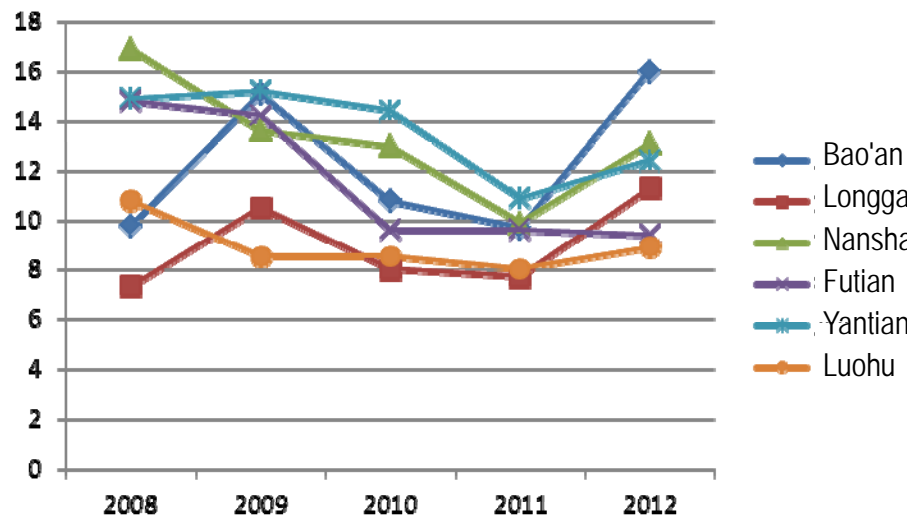
Bao'an District's tertiary industry growth rate ranked highest amongst other major districts in Shenzhen in 2012.

Bao'an's GDP growth rate dropped dramatically in 2012 due to industry upgrading and relocation of some lower-end industries.

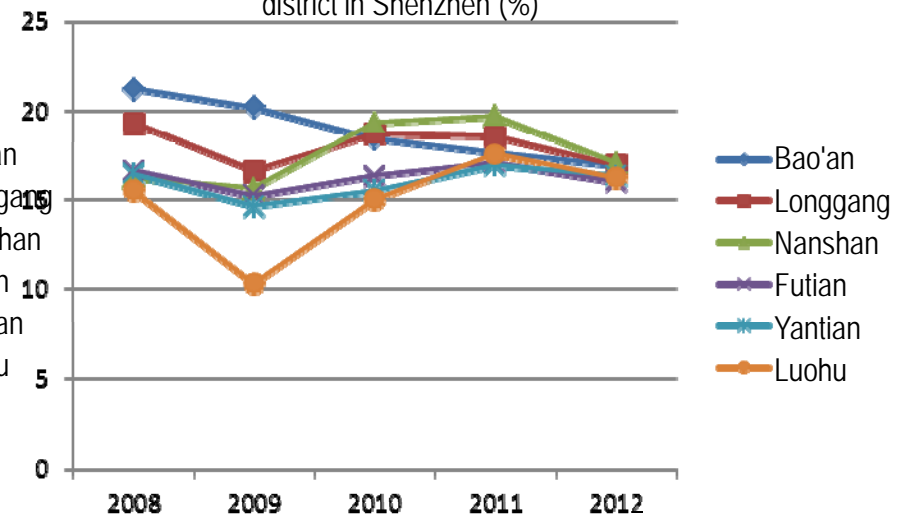
GDP growth rate by district in Shenzhen (%)



Tertiary industry growth rate by district in Shenzhen (%)



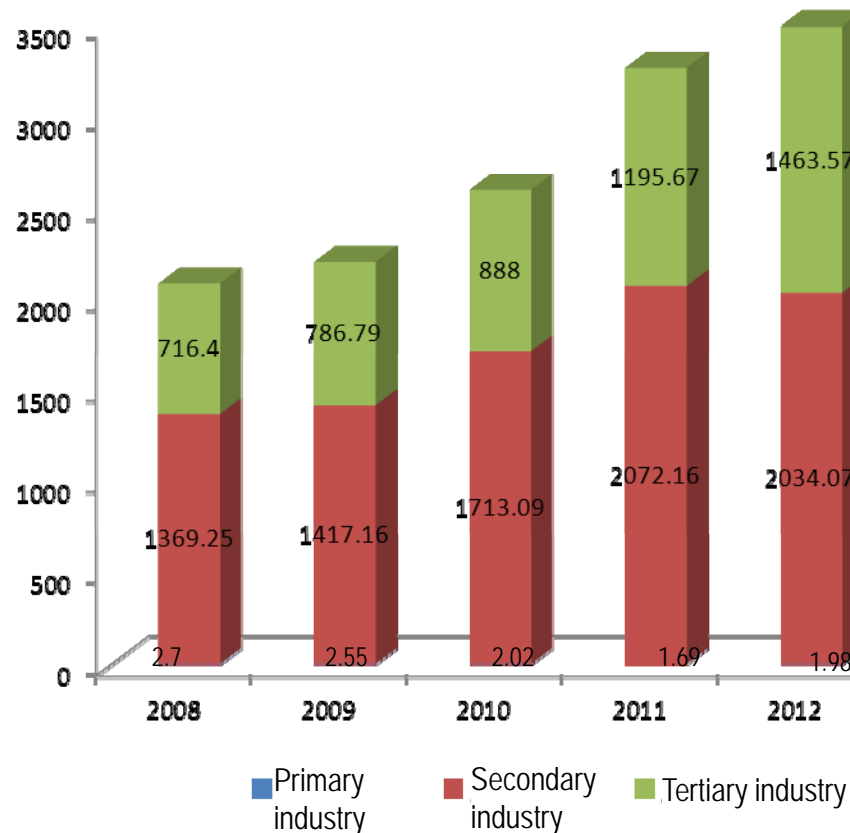
Growth rate of total retail sales of consumer goods by district in Shenzhen (%)



While the tertiary industry of Bao'an has been growing rapidly in the past few years, there is an ongoing shift in the manufacturing sector towards high tech industries.

(RMB 100 million)

Industrial Output of Bao'an



- The secondary industry in Bao'an accounted for 60% of the district's total GDP in 2012
- The growth rate of Bao'an tertiary industry surpassed that of the secondary industry in 2012
- According the 12th Five-year Plan of Bao'an, future focus will be laid on accelerating the growth of the tertiary industry, which in turn will boost service-oriented activities
- The increasing move towards higher value-added activity is pressuring lower-end industries to rapidly move out of Bao'an

Bao'an's industries

Emerging industries	Pillar industries	Modern services	Traditional advanced industries	Agriculture
<ul style="list-style-type: none"> • Internet industry • Bio-industry • New energy industry • New material industry • Energy conservation & environment protection industry 	<ul style="list-style-type: none"> • Information Technology • Equipment manufacturing • Modern logistics • Cultural industry 	<ul style="list-style-type: none"> • Finance • Conference & Exhibition • Tourism • Commodity Circulation • Real estate 	<ul style="list-style-type: none"> • Branded clothes • Branded furniture • Branded printing and packaging 	<ul style="list-style-type: none"> • Gardening industry • Bio-breeding industry • Ocean and fishery • Eco-tourism • Forestry

“Optimizing the traditional secondary industry, and encouraging the emerging advanced industry and tertiary industry..”
The plan has mapped out overall urban development strategies for Bao'an.

Emerging Advanced Industry – this indicates those manufacturing companies that are engaged in the production of higher value-added products with less polluting side-effects, such as electronics, medical devices, environmental-friendly materials, etc.

Achievements of industrial development in Bao'an in 2012

- **Modern service-oriented sector grew rapidly**
- **Independent innovation capacity has been greatly enhanced**
- **Newer, more efficient industrial parks emerged** - the construction of five strategic industrial clusters put forward a higher building standard, the total area of high-tech incubators in the district reached 620,000 sq m, with a year-on-year growth of 350%
- **“Industrial re-zoning”** made further progress – 950 enterprises engaged in lower-end manufacturing activity were removed and 889 enterprises engaged in traditional manufacturing have successfully shifted to higher-end activity

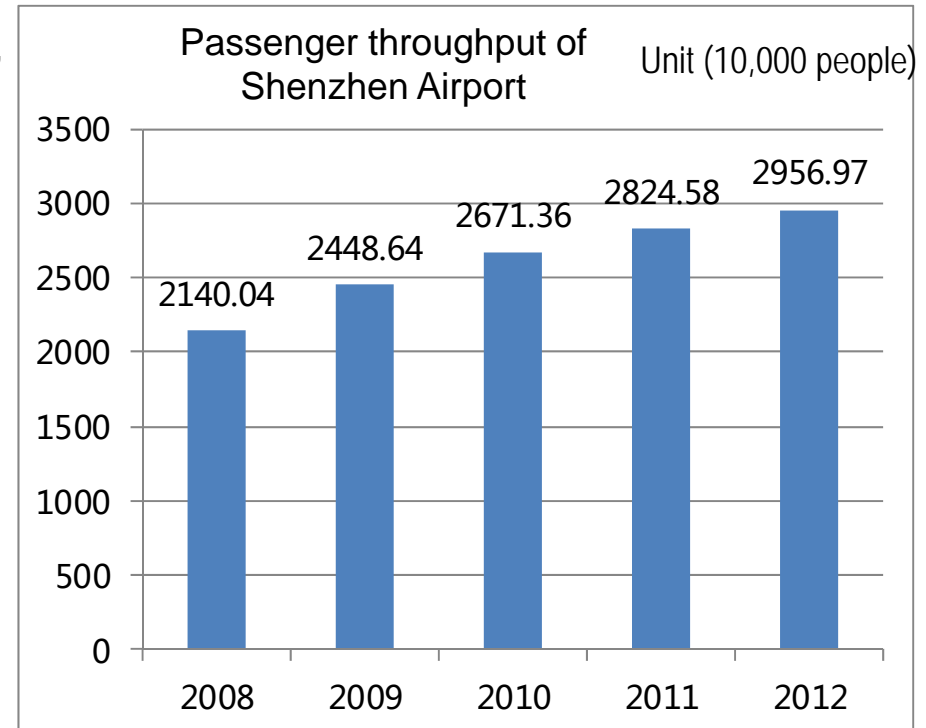
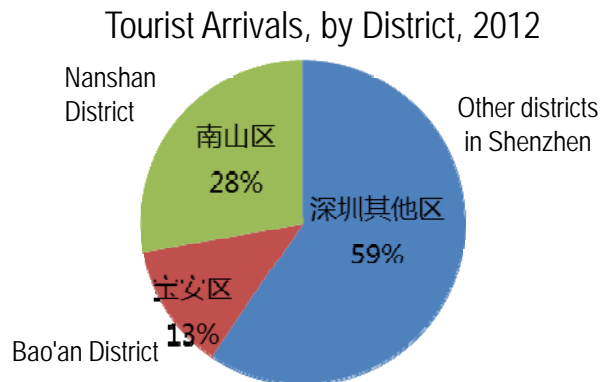
Development
diversification

- ❑ Optimize and upgrade traditional industrial activity
- ❑ Develop and encourage emerging industry and tertiary industry in a positive way
- ❑ Create a diversity of industries

Opportunities: the continued growth of Bao'an's service sector will likely result in a growing number of high-income earners which will boost local consumption level

Tourism: Bao'an is traditionally regarded as an industrial area, its attraction for tourists is significantly lower than that of other districts in Shenzhen.

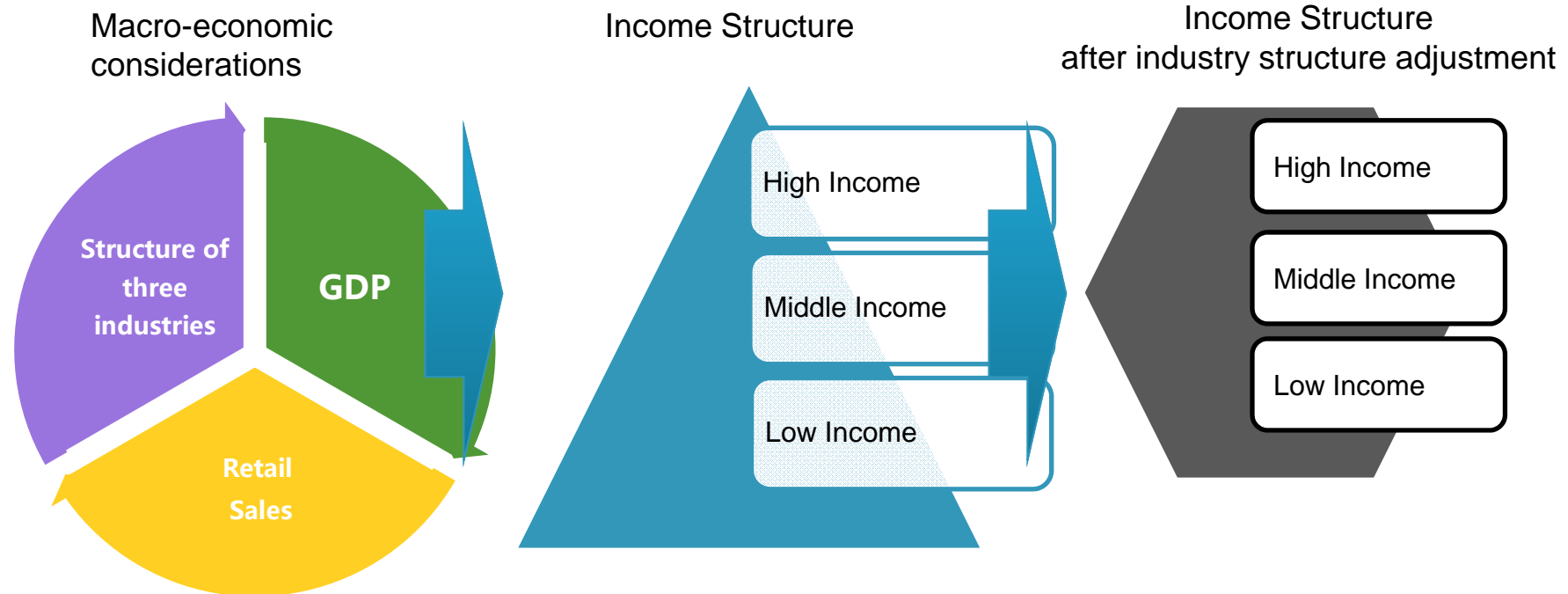
- **Tourism development strategy of Bao'an** -“Priority is given to industrialization and tourism comes second”
- **Current status:**
 - Bao'an's traditional development as a manufacturing center has created a negative impact on its ecological environment and overall visual image
 - Bao'an has no major tourist attractions – its urban planning and construction has been catered for the manufacturing sector and **therefore, it is hard for Bao'an to become a modern city tourist destination.**



- Shenzhen Bao'an International Airport, mainly caters for domestic travelers, receives an increasing number of passengers every year from 2008 to 2012.
- In 2012, 41.47 million tourists came to Shenzhen, among them 5.32 million visited Bao'an, accounts for 13% of total in the city, only about half amount of Nanshan.

Development trends

- Labor-intensive industry is dominant in Bao'an, most of the existing population is at the bottom level of the triangle structure. They are migrant workers from other cities with relatively low income resulting in low average consumption capacity per capita
- With the future focus on service-sector development in Bao'an, it is expected that the population of the middle and common class will expand steadily



Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. SWOT
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis

The planned construction area of the Qianhai office zone will exceed the total stock of existing Grade A office buildings in Shenzhen upon completion. Therefore, we expect a huge volume of office supply as well as demand will arise in Qianhai in the longer run.

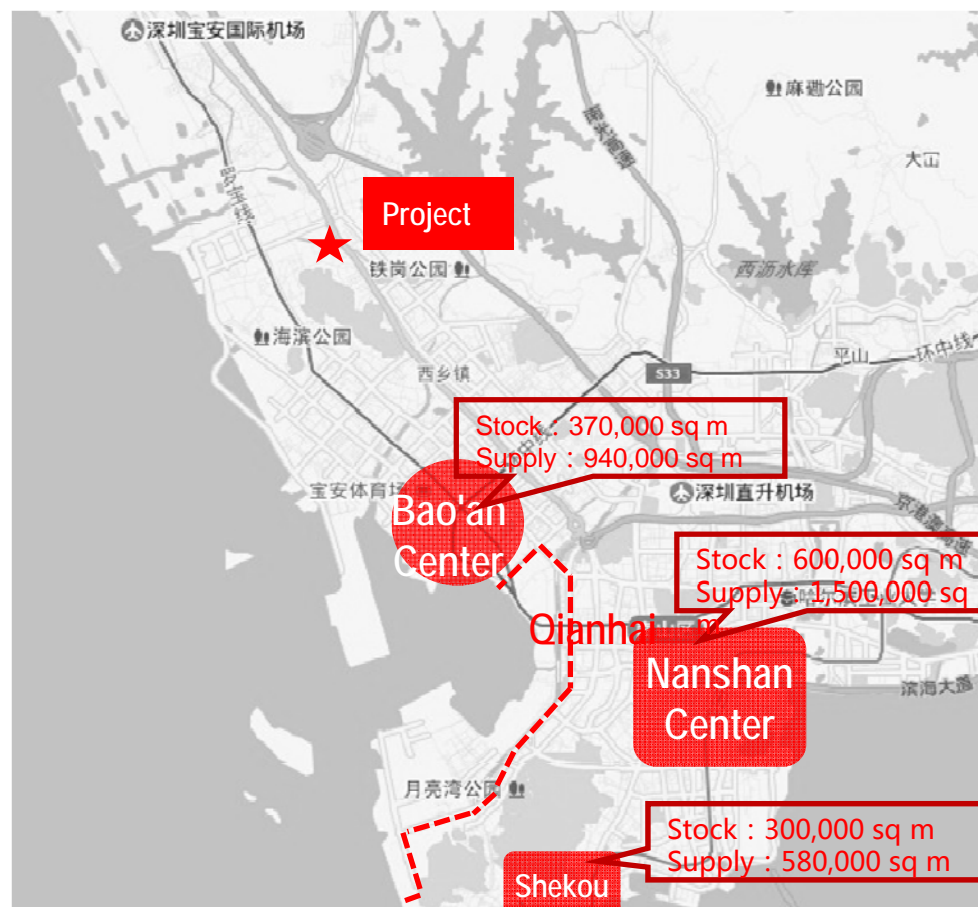
Qianhai's Future Plans

Construction area for:

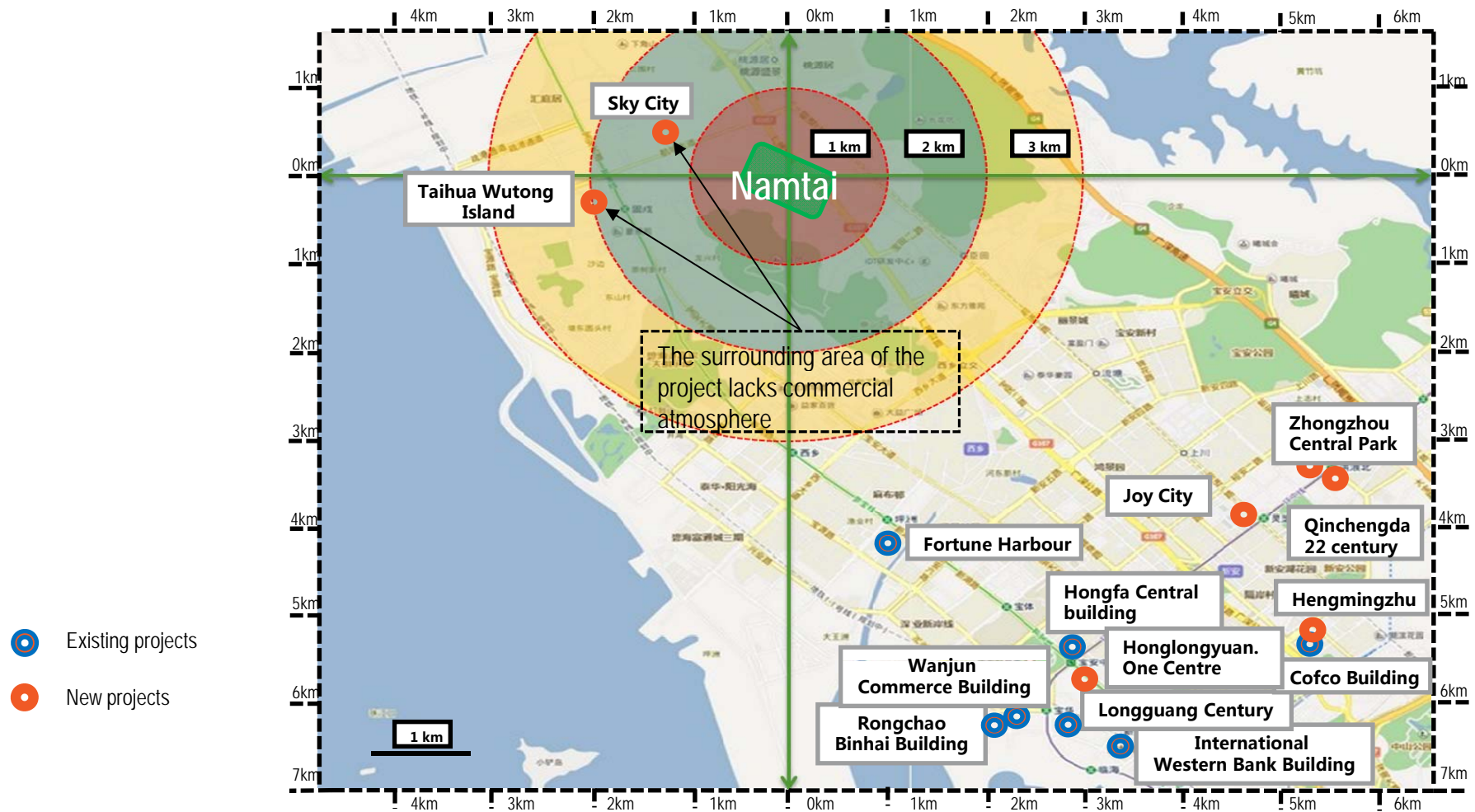
- ❑ Office zone - approx. 16 million sq m
- ❑ Commercial zone - approx. 2.3 million sq m
- ❑ Residential apartments - approx. 3.8 million sq m

Projected population:

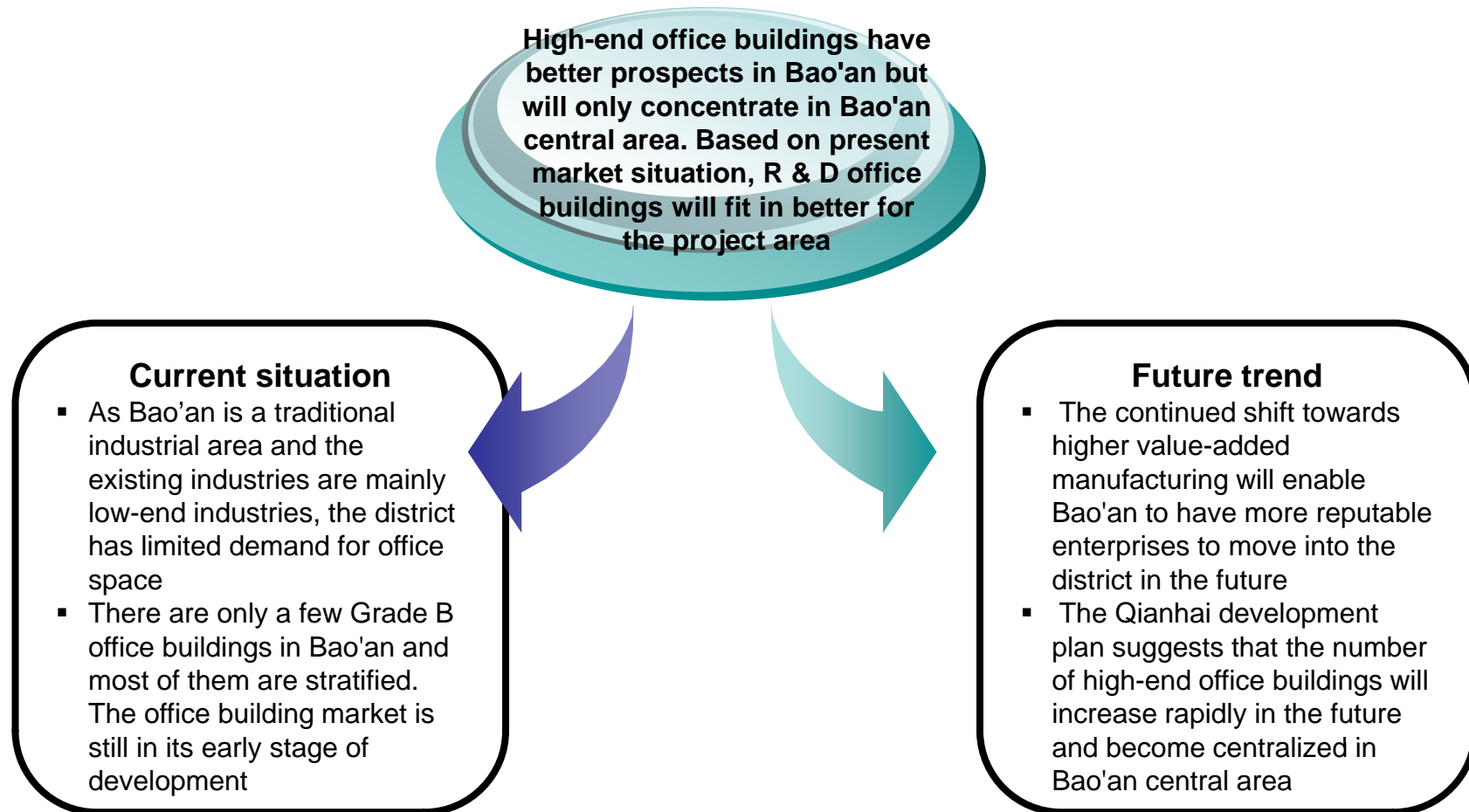
- ❑ Working population: approx. 650,000
- ❑ Residing population: approx. 150,000



- There are only a few low quality office buildings in Bao'an District.
- They are mainly located in Bao'an central area. In the future, most of the supply will also be found in Bao'an central area.



Analysis and brief summary on the office component of the project



Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. SWOT
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis



Existing Supply

1. King Glory Plaza
2. The Mixc Phase I
3. CITIC City Plaza
4. CoCo Park
5. Garden City Center
6. Central Walk
7. Coastal City
8. Poly Cultural Plaza

9. Yitian Holiday Plaza
10. Kingkey Banner Center
11. The Mixc Phase II
12. VI CITY
13. Tiley Fame City
14. KK Mall
22. InTown
23. Baoneng All City
24. Haiya Mega Mall

Future Supply (Estimated Completion Date)

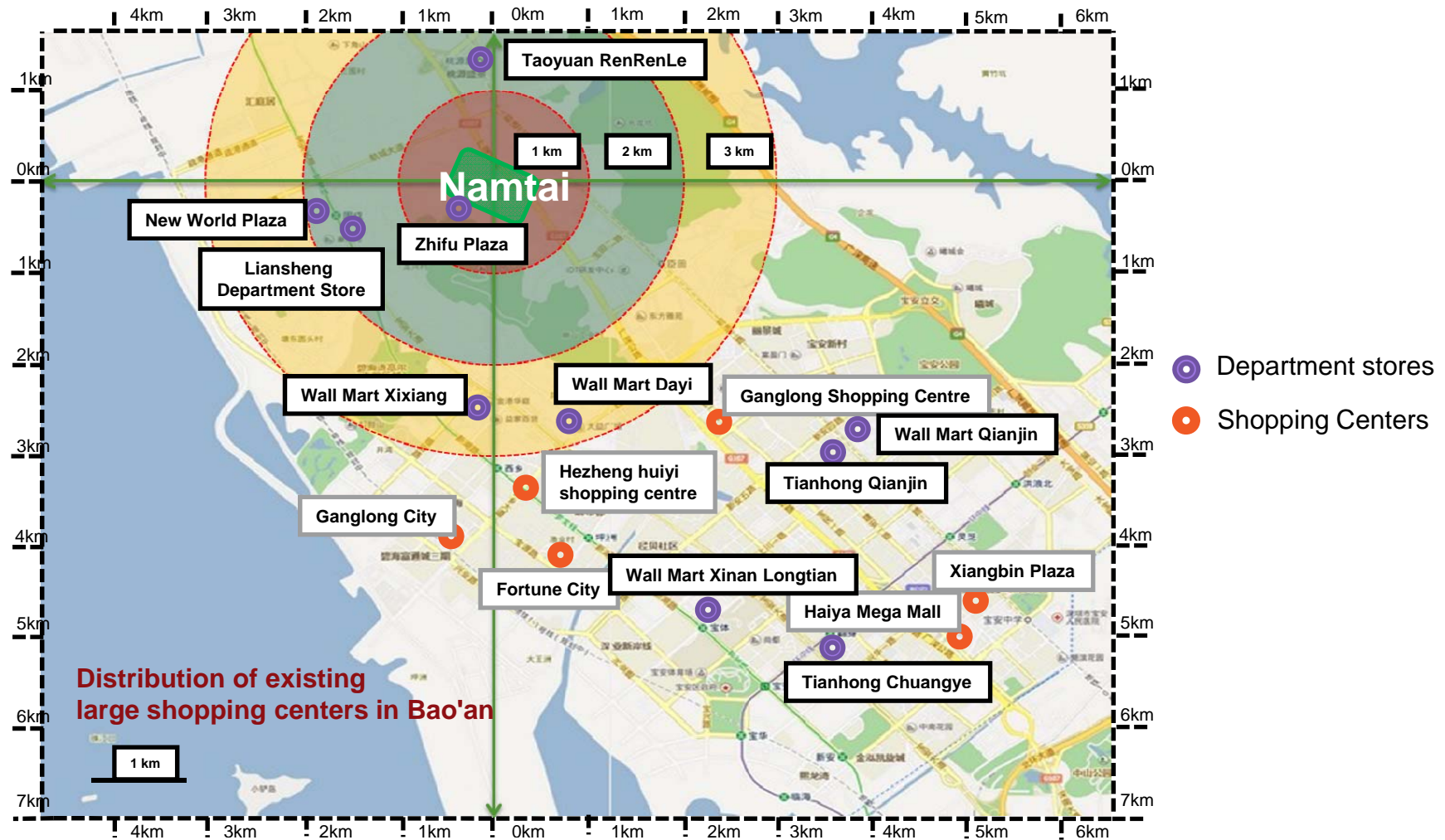
17. Wongtee IA Mall (2014)
15. OCT Plaza Phase II (2013)
16. Century Place (2013)
20. East Pacific Shopping Centre (2014)
18. Ping'an IFC (2015)
19. Raffle City (2015)
21. Gemdale Dabaihui (2014)



Development patterns

- All high-end shopping centers in Shenzhen are concentrated in Luohu, Futian and Nanshan
- The development of retail market in Bao'an is still in its early stage. Haiya Mega Mall (mid low-end) which opened in 2012, is the only shopping center in Bao'an

In Bao'an, there are traditional department stores and supermarkets while shopping centers are very rare. The project site is surrounded by a few traditional department stores which cater for the mid-end market



- Traditional department stores selling low end products with poor shopping environment are characteristics of the mainstream shopping facilities in areas around the project.
- Most of them are owned by local villagers without proper certificates.
- The rental level in the area is RMB 50-170 per sq m/month.

Store	Grade	Retail Brands	Restaurants	Supporting facilities	Entertainment
New World Shopping Plaza	Low end	Playboy, seven wolves, xtep, inspired fashion women's clothing, 7 magic Weeks diamond jewelry	Yonghe Soya-bean milk King, Yipin Beef Hot Pot	Fresh Mart	Happy Internet Game City, Baiwei KTV
Liansheng Store	Low end	Pure, Anta, Chow Tai Fook	KFC, Guilin Rice Noodles, Huangshang Huang, Zhouheya Duck	Woda Fashion Supermarket, Meiliya Beautify Salon	Energetic Gym Club
Zhi Fu Landmark	Low end	Jeanswest, Hong Kong City Beauty, Chow Tai Fook, Kappa	Hunan Cuisine, True Kung Fu	Chi Fu Supermarket, Chi Fu Electronics Market	Dadi Cinema



Zhi Fu Landmark

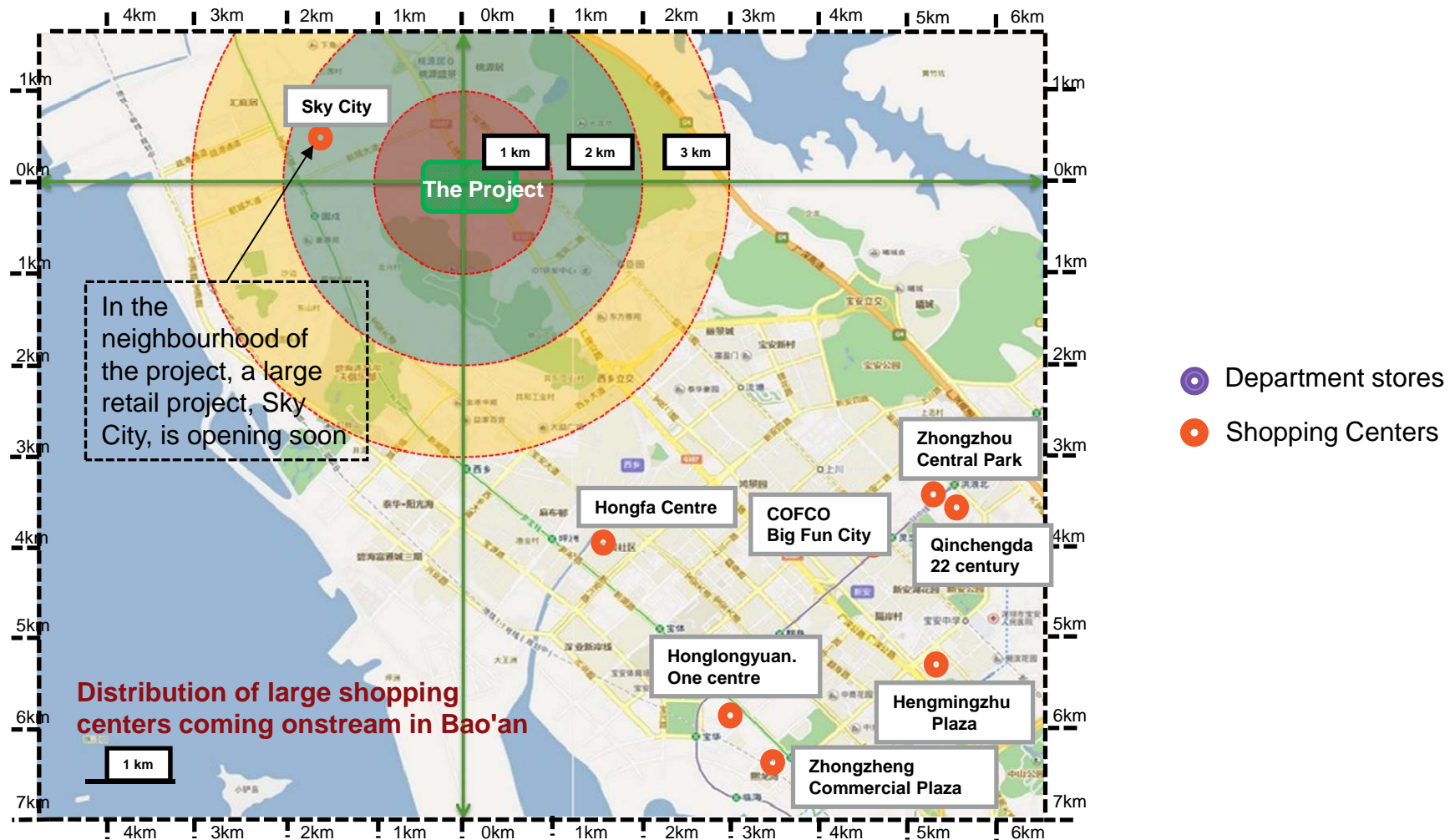


Liansheng Store

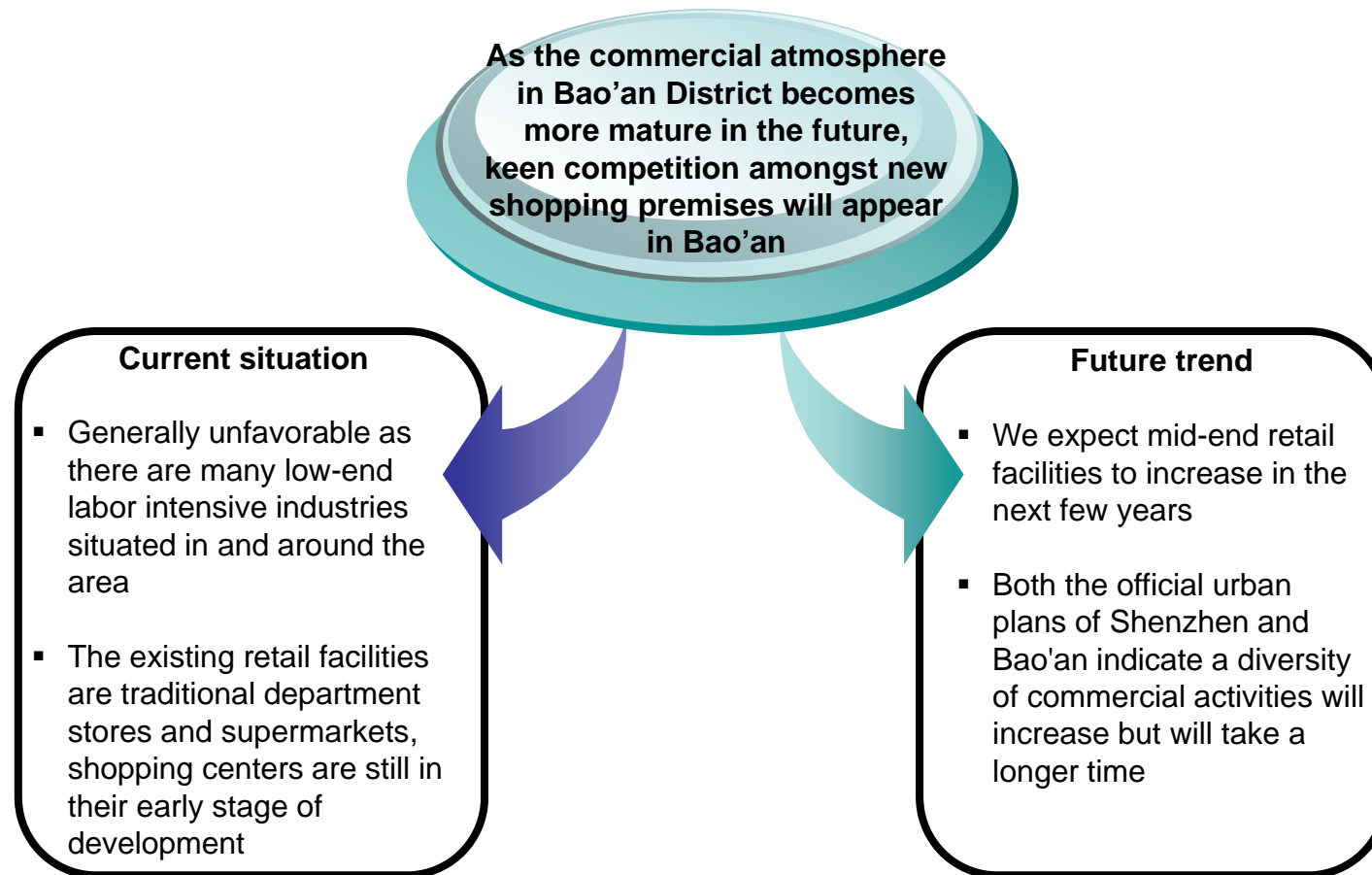


New World Shopping Plaza

Due to recent rapid development of Bao'an District, large shopping centers began to appear in Central Bao'an and supply of such will increase rapidly in the future.



Analysis and brief summary on the retail component of the project



Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. SWOT
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis

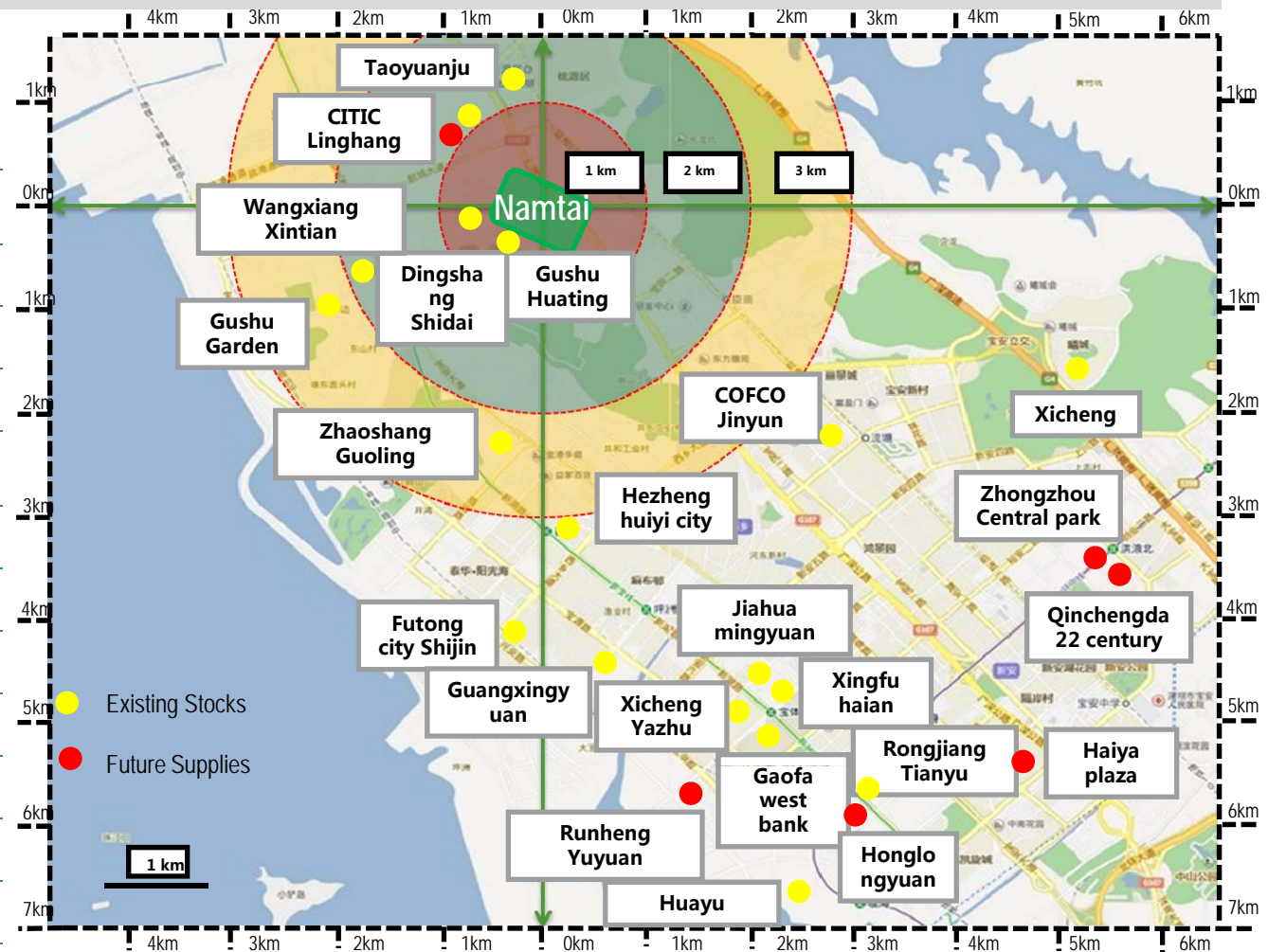
Pricing of residential projects on sale in Bao'an District

The average price of residential projects currently on sale in Bao'an District ranges from RMB 16,000 to 40,757 per sq m. The price of similar projects in Central Bao'an District is relatively higher as the amenities in the area are more mature.

Deal price in average of on-sale project

(Source : Soufang Deadline: September 2013)

Project name	Transacted price in average(RMB)
Wanxiang Xintian	16,400
CITIC Linghang	17,000
Taoyuanju Shoufu	23,000
Zhaoshang Guoling	16,000
COFCO Jinyun	20,914
Futong City Shijin	20,811
Jiahua Mingyuan	23,712
Happiness Coast	26,980
Xicheng Yazhu	29,968
Gaofa West Coast Garden	30,982
Rongjiang Tian Yu	40,757



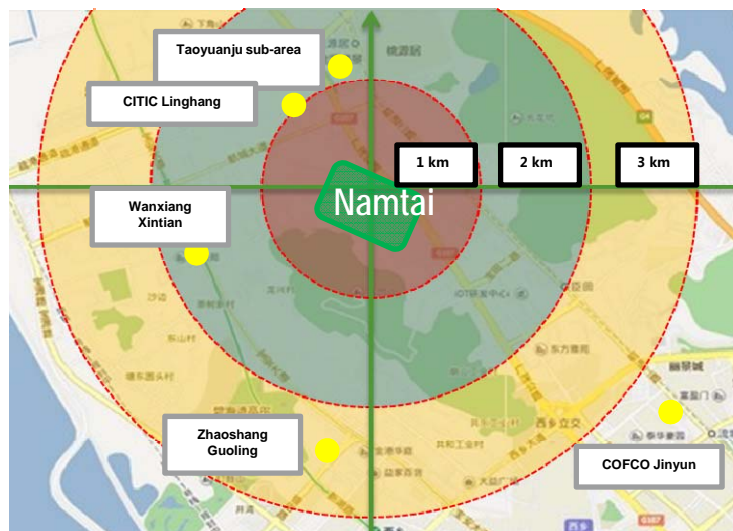


Bao'an Central Area

- **Location features:** Area is located within the first ring out of Shenzhen CBD
- **Type of apartments on sale:** Xicheng Yazhu's smaller apartments of 1- to 2-bedroom have all been sold out. Other projects currently on sale are of a larger unit size (please refer to table below).
- **Price range:** RMB 24,000-41,000 per sq m

Project name	Launch date	Current status	Gross floor area (sq m)	Developer	Property type	Main Apartment type	Avg. price (per sq m)
Happiness Coast, Phase III	2012-9-30	On sale	40,473	Shenzhen Fuzhongfu Real Estate Development Co., Ltd.	Ordinary apartment	130-140 sq m/3-bedroom, 145-158 sq m/4-bedroom	26,980
Tian Yu Phase I & II	2012-7-4	On sale	66,210	Shenzhen Rongjiang Industrial Co., Ltd.	Ordinary apartment	160-170 sq m/4-bedroom, 80-90 sq m/2-bedroom	40,757
Jiahua Mingyuan	2011-12-11	On sale	14,280	Shenzhen Jiahua Real Estate Development Co., Ltd.	Ordinary apartment	60-70 sq m/1-bedroom, 80-90 sq m/2-bedroom	23,712
Gaofa West Coast, Phase III	2010-5-2	On sale	137,660	Shenzhen Gaofa Investment Holdings Limited	Ordinary apartment	160-170 sq m/ 3-bedroom, 160-180 sq m/Duplex 200-210 sq m/4-bedroom	30,982
Hongrongyuan Xicheng Yazhu	2012-8-3	Sold out	61,526	Shenzhen Yazhu West City Property Co., Ltd	Ordinary apartment	40-50 sq m /1-bedroom, 60-70 sq m/2-bedroom	29,968

Within 3 km away from the project



- **Location features:** Residential projects within 3 km from the project are cheaper in price than those in the central area
- **Type of apartments on sale :** Two major types of apartments on sale are 3-bedroom apartments (125-135 sq m) and two-bedroom apartments (80-90 sq m) and they are mostly being referred to as “N+1” innovative products
- **Price range:** RMB 16,000-23,000 per sq m

Project name	Opening date	Sales status	GFA (sq m)	Developer	Property type	Main Apartment type	Deal price in average
Wanxiang Xintian	2012-9-23	For sale	128,171	Shenzhen Caowei Investment Co., Ltd.	Ordinary residence	66-71m ² /Three bedrooms , 70-86m ² /Four bedrooms	16,400
CITIC Linghang Phase II & III	2012-9-08	On sale	276,853	Shenzhen CITIC Linhang Real Estate Co., Ltd.	Ordinary residence	75-85m ² /One bedroom , 80-90m ² /Two bedrooms , 130-140m ² /Three bedrooms	17,000
Taoyuanju Fengjingyuan	2010-10-10	On sale	1,800,000	Shenzhen Aviation City (East) Industrial Co., Ltd.	Ordinary residence	80-90m ² /Two bedrooms , 170-180m ² /Four bedrooms	23,000
Zhaoshang Guoling	2011-10-29	On sale	217,530	Shenzhen Zhaoshang Real Estate Co., Ltd.	Ordinary residence	80-90m ² /Two bedrooms , 125m ² /Three bedrooms	16,000
COFCO Jinyun	2012-7-29	On sale	192,810	COFCO (Group) Real Estate Co., Ltd.	Ordinary residence	80-90m ² /Two bedrooms , 125-135m ² /Three bedrooms	20,000

Contents

- 1. Macroeconomic Analysis**
- 2. Market Analysis**
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
- 3. Baseline Review**
- 4. SWOT**
- 5. Overall Positioning**
- 6. Positioning, by component**
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
- 7. Financial Analysis**
- 8. Risk Analysis**

- **Location :** Gushu sub-area, Xixiang town, Bao'an District
- **Accessibility :** Immediate access to National Highway 107, 21km drive from Futian CBD area
- **Business atmosphere :** Not maturely established



Site Condition

- The plot is rectangular in shape (as shown in the diagram on the right)
- The plot is leveled with no slope



Stores around the site



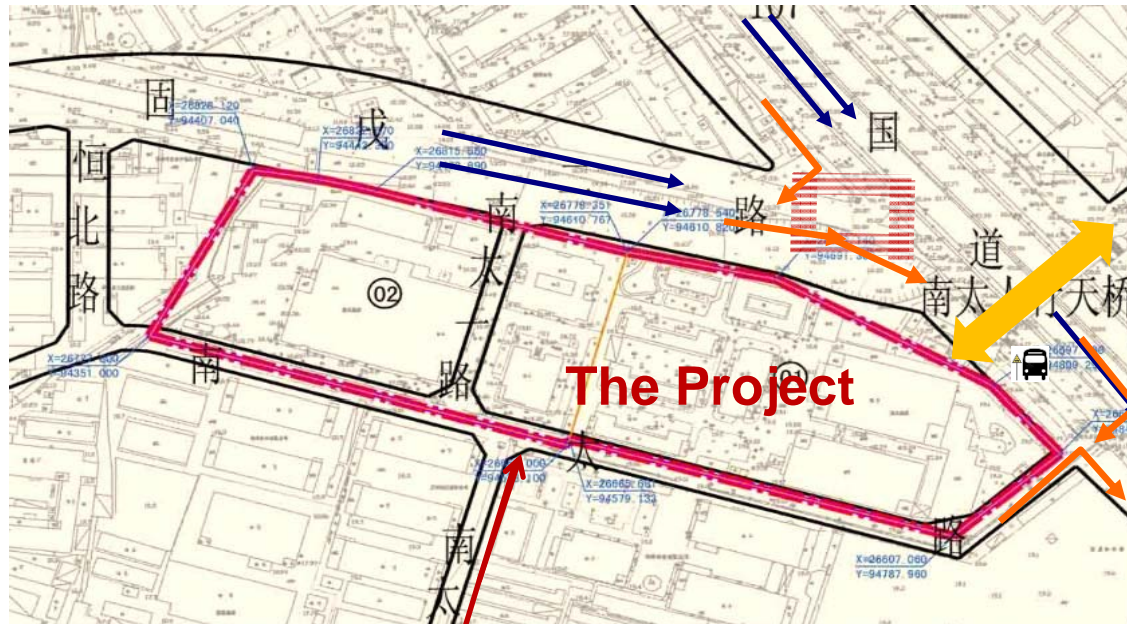
Old industrial buildings around the site



Streets around the site

Surrounding Areas

- There are many different types of stores and shops in the site's surrounding areas which only serve the basic needs of locals
- Most of the industrial buildings around the area seems quite old and dilapidated



Vehicular Circulation

- The project sits at the conjunction of Gushu No. 2 Road and National Highway 107
 - National Highway 107 is a highway which runs from Beijing to Shenzhen via Wuhan. It has large volume of vehicle flows on a daily basis
 - Gushu No. 2 Road is currently under construction and will connect Bao'an Avenue with National Highway 107, with four driveways (two lanes for each direction)
- The project is close to public transport station which makes it easy for local residents to get to different areas of Bao'an District.

Pedestrian Circulation

- Pedestrian's access to the project is mainly through Gushu No. 2 Road, National Highway 107 and Nantai Overbridge
- The project is only about 1.5 km away from the nearest metro station and about 500 m from Baotian Stop (yet to be determined) of the planned Metro Line 10

Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. **SWOT**
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis

SWOT Analysis

Strengths

- High accessibility to the key areas of the city via National Road 107
- Urban planning policies will support the potential for the location to become a commercial hub in due course
- Good reputation of the developer
- Single site ownership → Easy to resettle the existing premises on the site

Opportunities

- There is demand for retail facilities in the area where the project is located, as there are currently no large shopping centers available in the area
- Qianhai and other infrastructure development will enhance the accessibility of Bao'an District and timing seems to be right to develop shopping malls in Bao'an
- Office occupiers and retailers have started to expand into Bao'an and Longgang

Weaknesses

- The project is far away from the CBD area
- Current urban landscape needs to be improved as there are many factories in its surrounding areas
- Purchasing power of consumers in the subject area is low

Threats

- Low purchasing power is still a threat in the near future
- The market will face severe competition in the future from projects like City of Sky and Taihua Wutong Island

Contents

- 1. Macroeconomic Analysis**
- 2. Market Analysis**
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
- 3. Baseline Review**
- 4. SWOT**
- 5. Overall Positioning**
- 6. Positioning, by component**
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
- 7. Financial Analysis**
- 8. Risk Analysis**

Value Proposition	Development Parameters	Overall Positioning	Recommended Layout
-------------------	------------------------	---------------------	--------------------



- **Site accessibility:** Plot 1 enjoys better accessibility as it is located at the junction of Gushu No. 2 Road and National Highway 107.
- **Transport convenience:** Plot 1 is very convenient for vehicles to access as it is near Gushu No. 2 Road and National Highway 107.
- **Pedestrian flow:** Plot 1 enjoys better pedestrian flow as it is close to Namtai Overbridge and Public Transport Station.
- **Visibility:** Plot 1 fronts on main road (National Highway 107) and hence enjoys better visibility.
- **Surrounding environment:** The plots are both situated in a traditional industrial area and its surrounding area is currently rather undesirable.

Conclusion:

- **Plot 1 is good for developing office buildings for it enjoys better accessibility and visibility.**
- **Plot 2, which fronts on Namtai Road, is therefore more suitable for developing residential buildings.**

Value
Proposition

Development
Parameters

Overall
Positioning

Recommended
Layout

Project parameters:

Land area: 44,733 sq m

Proposed GFA: 268,398 sq m

- Land for research & development: 187,879 sq m
- Land for supporting facilities: 80,519 sq m

Project components based on our findings:

R&D and
standard
office



Retail with
a theme



Residential



A pioneer green project of high specs that combines living, working and shopping all in the same area

Favorable pre-development conditions

- Project is highly regarded by the local government who wanted the project to lead the way in rejuvenating the area
- The development of Qianhai central district will have a positive spillover effect over the project area (such as land value appreciation) as it is located in its proximity

- Take full advantages of government's preferential policy and location advantages to develop the building into a landmark building of the area

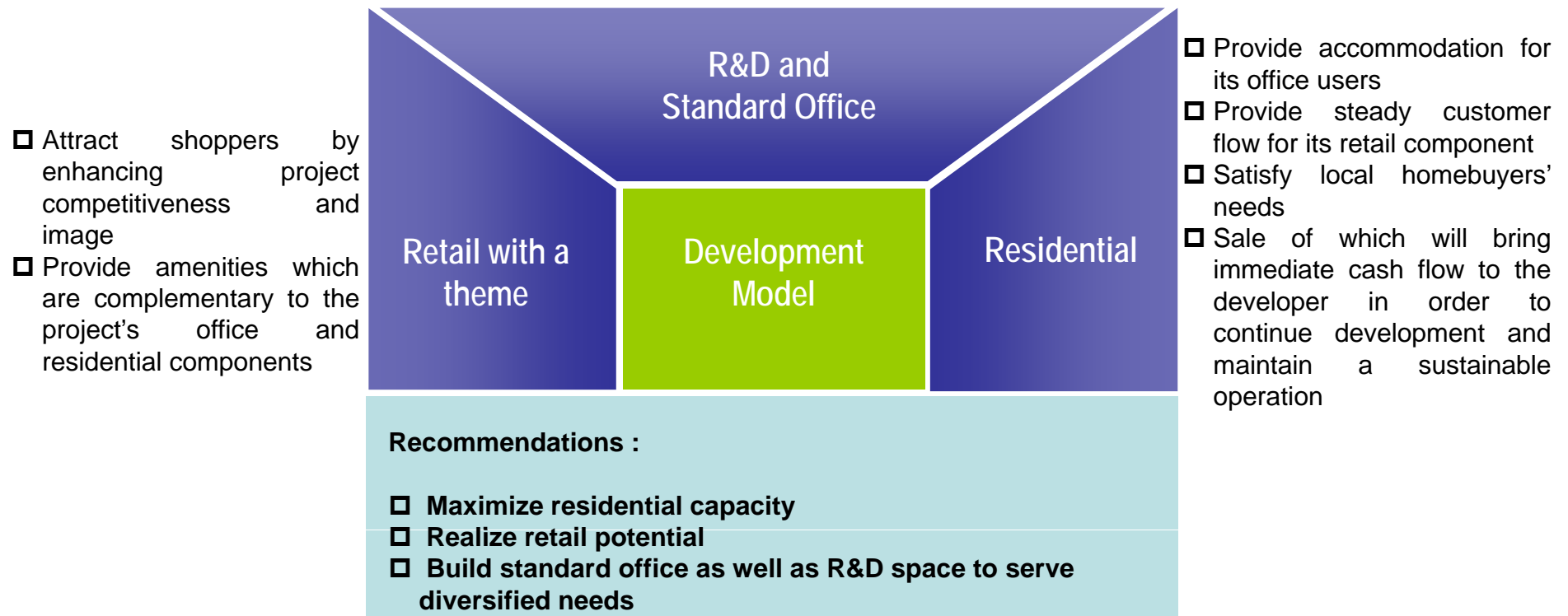
Market trends

- **Office** : As large supply of high quality office space will come on stream in Bao'an, our project needs to find its niche market in order to remain competitive
- **Retail** : There is demand for mid- to high-end retail facilities in the area as there is virtually no such kind of retail format in place
- **Apartment** : The commodity apartments around the project area recorded strong sales performance. Demand remains strong, however, competition is severe as supply is abundant

- Optimal development - best combination of different property types
- Forward thinking – durable building specs and design layout
- Competitiveness : features of a green building

Value Proposition	Development Parameters	Overall Positioning	Recommended Layout
-------------------	------------------------	---------------------	--------------------

- ❑ Set higher standard in design layout and building specs
- ❑ Satisfy diversified demand of office occupiers
- ❑ Provide potential patrons for the project's retail facility as well as potential buyers for its apartments



Development scale for each property type

Step 1 - Apartment

Usage	Suggested GFA (sq m)	Rationale
Apartment (for sale)	80,520	<ul style="list-style-type: none"> As sale of apartments could generate immediate cash inflow, the developer would be under less pressure to source development funds It is necessary to maximize the capacity for sale

Step 2 - Retail

	Usage	Suggested GFA (sq m)	Rationale
Retail	For lease	40,000 (including 10,000 underground space)	<ul style="list-style-type: none"> We recommend that the project be developed into a community-level retail center of around 40,000 sq m in size.
	For sale	23,679	<ul style="list-style-type: none"> We also recommend to sell a portion of the retail facility (i.e. street shops) to generate immediate cash flow. As retail sales prices are normally higher than that of office within the same area, we suggest to maximize saleable retail within a permitted range.

Step 3 - Standard office and R&D office

	Usage	Suggested GFA (sq m)	Rationale
Office	R & D office	Total: 94,200 For sale: 30,000 For lease: 64,200	<ul style="list-style-type: none"> Based upon developer's request, the total saleable area of the project is up to 50% of the total GFA which is about 139,200 sq m. In order to maximize quick return, we suggest to sell 30,000 sq m of R&D office.
	Standard office (for lease)	40,000	<ul style="list-style-type: none"> According to our analysis (see Appendix), it is advisable to build standard office space with a floor area of 1,500-1,800 sq m and a floor height of 4 m. As this project will become a landmark building in Bao'an, we suggest not to sell the standard office portion for easier management and maintenance.

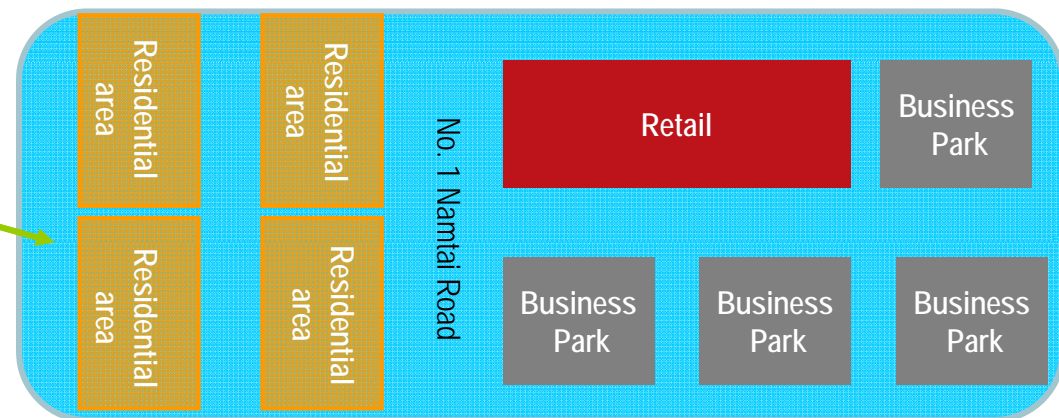
Value Proposition	Development Parameters	Overall Positioning	Recommended Layout
-------------------	------------------------	---------------------	--------------------

Main Considerations for Functional Layout

- Retail premises should be located close to No. 2 Gushu Road in order to maximize visibility
- Office premises should be located near the junction of No. 2 Gushu Road and National Highway 107 for transport convenience
- Plot no. 2 should be reserved for building apartments



Advice on Layout Planning



Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. SWOT
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis

Market Positioning	Theme	Target Market	Product	Sale & Lease Strategy
--------------------	-------	---------------	---------	-----------------------

Office Component

Market Considerations

	Mid- to high-end office	Middle low-end office
Supply	<ul style="list-style-type: none"> There is a general lack of high-end office properties in the neighborhood of the project Existing Grade A office buildings are mainly concentrated in the city center, which is relatively far from the project 	<ul style="list-style-type: none"> There are some low-end office-cum-residential properties in the neighborhood of the project
Demand	<ul style="list-style-type: none"> Existing office occupants mostly include reputable local companies, Some office tenants are looking for quality office space to expand such as electronics, high-tech companies 	<ul style="list-style-type: none"> Existing middle low-end office properties have high occupancy rates but as the area is undergoing a certain degree of urban renewal, some of these middle low-end office properties are expected to be demolished Some office properties are going through renovation in order to keep or attract premium customers
Competition	<ul style="list-style-type: none"> Office property supply is expected to increase Central Bao'an District. Taihua Wutongdao and Sky City in the neighborhood will create competition for the project 	<ul style="list-style-type: none"> Existing area is currently dominated by middle low-end office properties, however such properties will gradually decrease in number as urban renewal continues
Feasibility	Medium	Medium to low

Developer Considerations

	Mid- to high-end office	Middle low-end office
Brand improvement for developer	Possible to realize high brand value	Modest brand effect
Value maximization	Landmark project and high market price make it possible to realize maximum value	Price cut competition is likely to occur due to intense competition
Risks	Large capital outlay, more difficult to procure quality, reputable tenants as rents are more expensive	Smaller capital outlay, easier to procure tenants as rents are cheaper
Feasibility	Medium	Medium to low

Market Positioning	Theme	Target Market	Product	Sale & Lease Strategy
--------------------	-------	---------------	---------	-----------------------

Office Component

Government Planning

- Cluster planning of the project area: Aviation City Logistics Industrial Park Center
- Zoning of the project area: Industry Development Zone

District Development

- Efforts will be put into developing new industries and expanding the service sector while optimizing the traditional manufacturing industries

Site Characteristics

- The area where the project is located is not a traditional office hub as most high-end office buildings are concentrated in Central Bao'an District. The project is mainly surrounded by factories
- The project area is an industrial area where there exists a critical mass of industrialists



Market Positioning	Theme	Target Market	Product	Sale & Lease Strategy
--------------------	-------	---------------	---------	-----------------------

Office Component

Theme

- We recommend the project to be built into a mid- to high-end office building which not only help to enrich the urban landscape of Bao'an District but also increase the amount of potential customers for both its retail and residential components
- The project in the future will focus on procuring tenants of modern industries including logistics, conference and exhibition, trade and etc.
- The project will possibly become the landmark of the area

Function - Modern comprehensive business platform of Bao'an District

- Headquarters and R&D office of high-tech manufacturers
- Cultivation platform for high-tech and IT-related enterprises
- Incubation platform for newly established enterprises with good development potential

Grade - High-end international business park

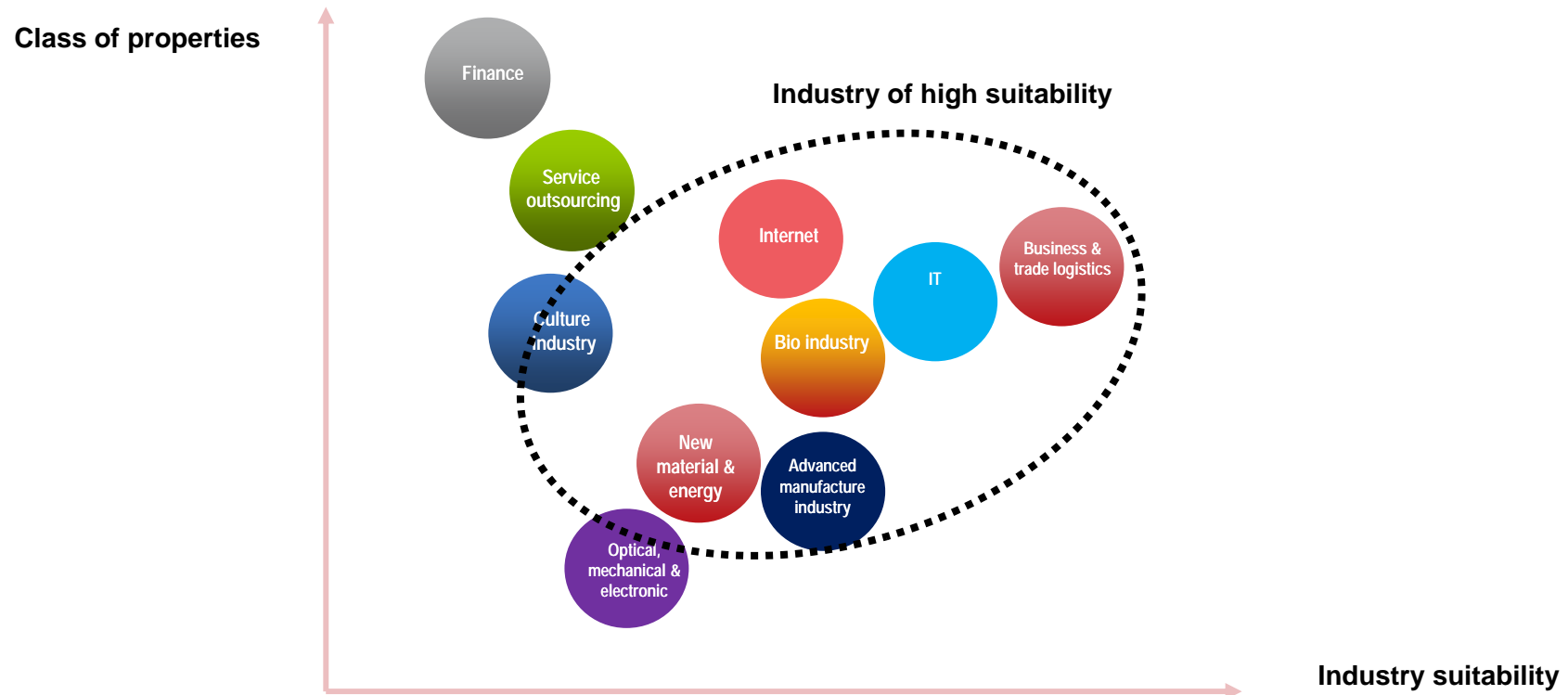
- Landmark building
- High-end international business center
- R&D and innovation platform for high-tech enterprises



Market Positioning	Theme	Target Market	Product	Sale & Lease Strategy
--------------------	-------	---------------	---------	-----------------------

Office Component

Profile of Target Market



Our target market will likely be industries engaged in IT, business and trade logistics, high-tech, new materials and advanced manufacturing.

Market Positioning	Theme	Target Market	Product	Sale & Lease Strategy
--------------------	-------	---------------	---------	-----------------------

Office Component

Demand analysis on target market for office properties

Customer type	Prospects	Space requirement (sq m)	Affordability	Intention
Electronic information and high-tech industries	<ul style="list-style-type: none"> - one of Shenzhen's pillar industries - government's encouragement to set up headquarters - in an expansion mode 	Small/medium: 100-300 Medium/large: 500-2,000	Large number of fast-expanding enterprises with great demand for office space, strong price affordability	Foreign enterprises: standard office building Domestic enterprises: Business office building/R&D building
Trade logistics	<ul style="list-style-type: none"> - one of Bao'an's pillar industries - enjoy good regional location advantages as this group is located near the Bao'an Airport and Dakonggang 	Medium/large: 1,500-3,000	Fast growing industries with medium price affordability	Foreign enterprises: Business office building Domestic enterprises: Business office building
Headquarters of advanced manufacturers	<ul style="list-style-type: none"> - one of Bao'an's pillar industries - industry is undergoing transformation to upgrade 	Small/medium: 500-1500 Medium/large: 1500-5,000	Gradually increasing demand, medium price affordability	Foreign enterprises: Business office building/R&D building Domestic enterprises: R&D building
R&D office of advanced manufacturers	<ul style="list-style-type: none"> - one of Bao'an's pillar industries - industry is undergoing transformation to upgrade 	Small/medium: 500-3000 Medium/large: 3000-8,000	Gradually increasing demand, medium price affordability	Industrial parks, R&D buildings
Culture industry	<ul style="list-style-type: none"> - Industries engaged in electronic information, such as webpage design, electronic business platform, ads are growing fast 	Small/medium: 100-300 Medium/large: 500-1,000	Fast growing industries with medium price affordability	Generally have a presence in industrial park, but some prefer business office building

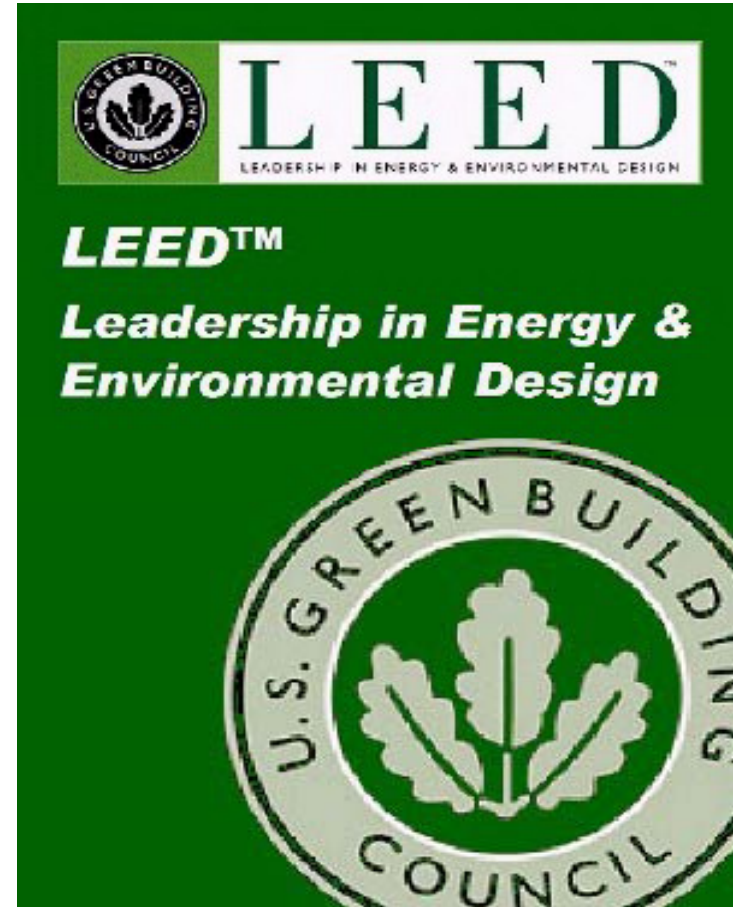
Market Positioning	Theme	Target Market	Product	Sale & Lease Strategy
--------------------	-------	---------------	---------	-----------------------

Office Component

Apply for International Green Building Standard (LEED) certification by use of insulated glass curtain wall, ice storage central air-conditioning system and wastewater recycle devices, etc.



Taihua Wutong Island which is near our project has already obtained LEED certification. We recommend the project to apply for LEED certification to further enhance its brand image.



Sale/Lease strategy	Operation mode	Advantages	Disadvantages
For lease only	<ul style="list-style-type: none"> Long-term holding by developer to generate long-term income 	<ul style="list-style-type: none"> Easier to manage the project under single ownership in order to enhance brand image and positioning Developer has more flexibility in choosing their tenants Long-term holding enables the developer to build image hence able to attract reputable large tenants Avoid interview competition with strata titled owners → Achieve higher rental level 	<ul style="list-style-type: none"> Developer needs to put high capital investment in initial period Long period of investment recovery There is a certain challenge in investment soliciting and therefore the investment soliciting team must be of high quality and competency
Strata titled sale	<ul style="list-style-type: none"> Property is put on sale on a strata title basis 	<ul style="list-style-type: none"> Fast capital return Strata title sales of high-end office properties are rare, therefore may attract large number of prospective investors 	<ul style="list-style-type: none"> Property management for stratified property is more difficult Harder to ensure quality of tenants, which may result in image degrading of the property High-end users usually prefer office property under single ownership
Partially for lease, partially for sale	<ul style="list-style-type: none"> Partly retain and partly sell 	<ul style="list-style-type: none"> Faster capital return as part of the property is for sale Good for projects that undergo development in stages 	<ul style="list-style-type: none"> Difficult to achieve an optimal sale vs lease proportion Overall marketing strategy needs to be formulated to avoid confusion Harder to ensure quality of tenants, and thus may result in image degrading of the property

Our recommendations are:

- Partial lease and sale strategy is recommended
- Realize faster return through sale of part of the R&D office portion targeted at investors acquiring the space for either self-use or investment
- Standard office portion to be held by developer for rent to headquarters of enterprises

Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. SWOT
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis

Market analysis	Target market	Operation Models	Theme	Market Positioning	Trade Mix
-----------------	---------------	------------------	-------	--------------------	-----------

Retail Component

Market analysis

- It is estimated that a total of around 926,000 sq m of retail space will come on stream in the next 3-4 years.
- Considering the competitiveness of the project, it is therefore recommended that the project's retail portion should target at local residents with an estimated floor area of 40,000 sq m.

	City-level retail facilities	District-level retail facilities	Community-level retail facilities
Scale	Above 300,000 sq m	Between 100,000 ~ 150,000 sq m	40,000 sq m and below
Location	Core urban area with high population density and heavy traffic flows	Office and residential hub, close to transportation nodes	Large residential communities-usually densely populated with convenient public transport facilities
Catchment area	Above 5 km	Within 3~5 km	Within 3 km
Target customers	City residents, office staff, tourists	Shoppers residing outside of the district which require 15 minutes' drive to the destination	Local residents - within walking distance of 15 minutes

Future large-scale retail projects in Bao'an District

	Name of Project	GFA (sq m)	Estimated Year of Completion
1	Zhongzhou Central Park	285,000	After 2013 N/A
2	Keenstar 22 nd Century	50,000	2016 or beyond
3	Hengmingzhu Plaza	31,000	2016 or beyond
4	COFCO Joy City	160,000	2015 or beyond
5	Honglongyuan Unicenter	150,000	2016 or beyond
6	Hongfa Center	145,000	2016
7	Sky City	About 105,000	2013 or beyond
Total Retail Area (sq m)		926,000	

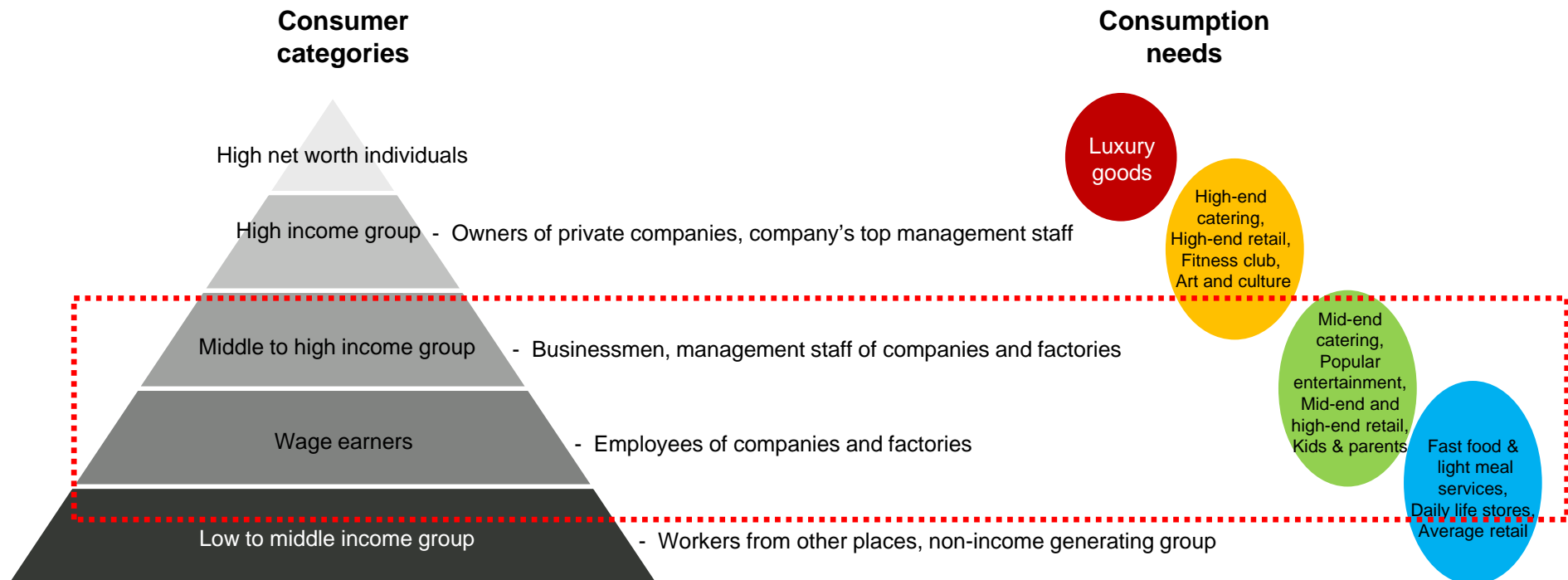
Challenges:

- The project is facing fierce competition as an estimated 926,000 sq m of retail supply will come on stream in Bao'an District in the next 3-4 years
- The project is located in an area without accessibility to the metro system
- Being surrounded by factory buildings, the project lacks an appropriate environment which enables it to become a destination shopping facility
- District-level retail facility often requires very large capital outlay due to its scale, which may put the developer under pressure
- The developer has no previous experience in retail development and operation

- Highly risky for the project to be developed into a district-level retail facility given the challenges mentioned above.
- The option of developing it into a community-level retail facility with focus on local shoppers in the surrounding residential areas is therefore more feasible.

Target Market

Target customers mainly consist of businessmen, management staff and employees of companies and factories in the vicinity of the project.



- There is a substantial amount of floating population in Bao'an District, which includes owners of private companies, factory employees and traveling businessmen, who will be the main target customers of the project
- The target consumer group will generally focus on daily consumption, including fast food and light meal services, and mid-to high-end retail

Target Market

Family group – it is recommended that the project shall target family. The concept of “kids & happy family” shall be promoted to boost family consumption through the kid

- The family group mostly comprises of three consumers (dad, mom and kid)
- Currently, children's consumption accounts for 33% of a family's total consumption for 90% of the urban families, a fact which cannot be overlooked by retail operators

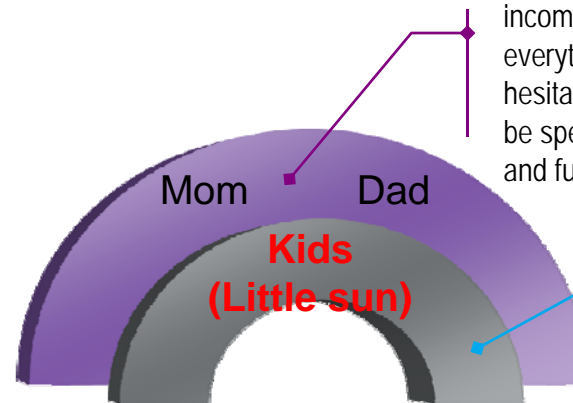
Consumers' comments:

When the house is bought, then the kid becomes the “biggest ticket item” in the family. Whatever we do, it's always about the kid. As long as our kid is happy, we're happy.

—— A middle management staff of a factory

There is no big and good shopping center in Gushu area, and merchandise mix is too limited. There is almost no such place where the whole family can go shopping and have fun.

—— A middle ranking staff of an enterprise



In the prime of their life and with stable income and some savings, parents do everything for their children and they won't hesitate for a second when money needs to be spent on their children's health, happiness and future.

“Little sun” family refers to families with kids aged between 0~12. Expenditure on the kid is usually the largest within a typical family.

Consumption patterns:

- **Intellectual investment + interest cultivation:** Early childhood education (English for kids), music and drawing lessons, etc.
- **Physical training:** Kids & parents center, toys for fitness training, etc.
- **Children's clothes:** Branded children's clothes, parentage clothes, etc.

Operation Models

Among three models, model 1 & 2 seems more suitable for our project.



Street mall with a distinct theme + Partial sale of street shops - introduce anchor tenant to mainstream shopping mall, size of which can be flexible (e.g. Lifestyle Hub in Shanghai)

- ❑ Introduce anchor tenant to boost sale of street shops
- ❑ Sales prices of street shops can be set at a slightly higher level with the presence of anchor tenant to attract shoppers



Mainstream shopping mall + Partial sales of street shops - optimal operation scenario (Kerry Parkside)


- ❑ Procurement of tenants remain a challenge for developer
- ❑ Street shops can achieve highest sales prices



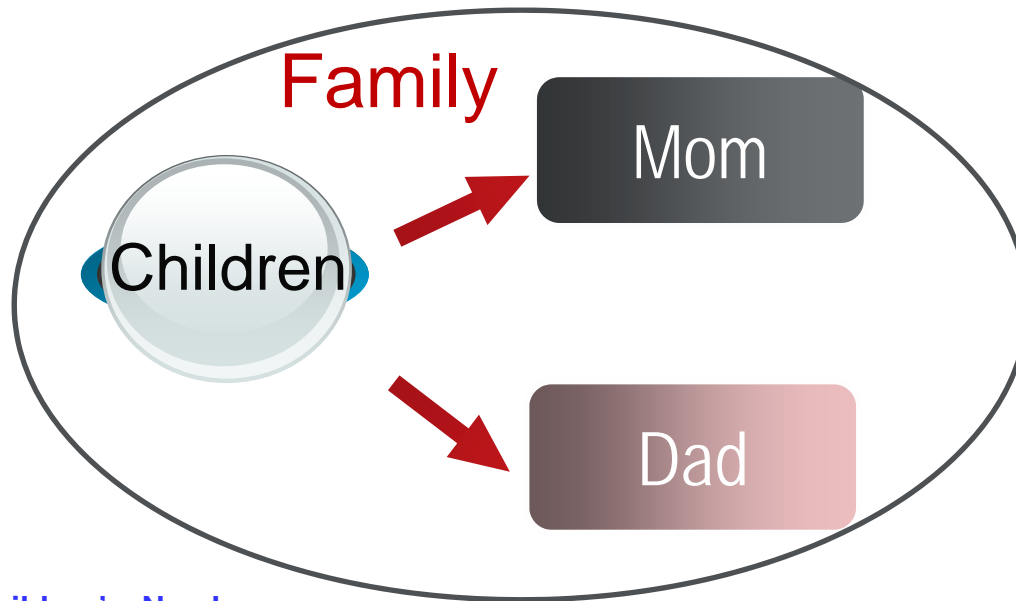
Street shops all for sale - the most widely adopted exit strategy for developing community level retail facilities

- ❑ No need to procure anchor tenant
- ❑ Investors bear all market risks
- ❑ Street shops cannot achieve high sales prices on strata-title basis

Advantages and Disadvantages

	Traditional shopping mall		 Shopping village with a distinct theme	
	Advantages	Disadvantages	Advantages	Disadvantages
Site requirements	A higher plot ratio is achievable	Specific requirements for shape and size of site	Highly adaptable to different types of sites	Plot ratio/height restrictions
Mode of development	A variety of merchandise mix can be achieved to meet the needs for more customers. Brand upgrading is easier to achieve	Higher requirements for centralized planning, construction and operation, large capital outlay is required. Pay-back may be longer meaning that retention power of developer is required	Lower requirements in planning and operation, can be developed by phase enabling more flexibility in terms of capital outlay, pay-back period	Harder to gather an optimal trade mix and upgrading is more difficult
Climatic adaptability	Adaptable to climatic changes			Less adaptable to climatic changes
Construction costs		Relatively high construction costs, harder to control costs	Relatively lower construction costs	
Building specs		Higher requirements for building specs due to more complicated design	Much simpler design resulting in lower requirements for building specs	
Operation and management	Suitable to hold for long term so as to realize full potential appreciation benefits	Need for centralized operation, stricter requirements for management	More flexibility in operation and management	Difficult to manage when property is stratified
Brand management		Procurement of suitable tenants to maintain an optimal trade mix is more difficult to achieve	Lower requirements for brand interactivity and brand setup	

Theme Build a “New Lifestyle Mall” oriented at our target customers especially families living near the project



Mother's' Needs

- Boutiques (apparel), department store
- “Xiao Zi” catering (value environment)
- Health & beauty care (beauty care, hairdressing, SPA and yoga)
- Casual life (Book bar, tea house, café)
- Family life expenditures (supermarket, domestic electrical appliances)

Children's Needs

- Kids & parenting education/training
- Kids entertainment
- Kids articles (clothes, toys, gifts, baby products etc.)

Fathers' Needs

- Fashion shopping (electronics, autos etc.)
- Modern entertainment (electronic game center etc.)
- Socializing (catering, gifts, KTV, tea house, café etc.)

“New Lifestyle Mall”

To develop a one-stop shopping mall targeted at families, with facilities providing education and products dedicated for children

**Market
Positioning**

We recommend setting up initially as a mid-end mall for the first 3~5 years offering a wide and affordable range of merchandise to capture more shoppers. As the brand reputation becomes stronger, we recommend a gradual upgrade in tenant mix to enhance the brand of the mall.

Based on the following factors :-

- economic profile and consumption patterns of Gushu area
- forecasts of new retail supply in the coming years
- other factors such as purchasing power of our target customers

We recommend :-

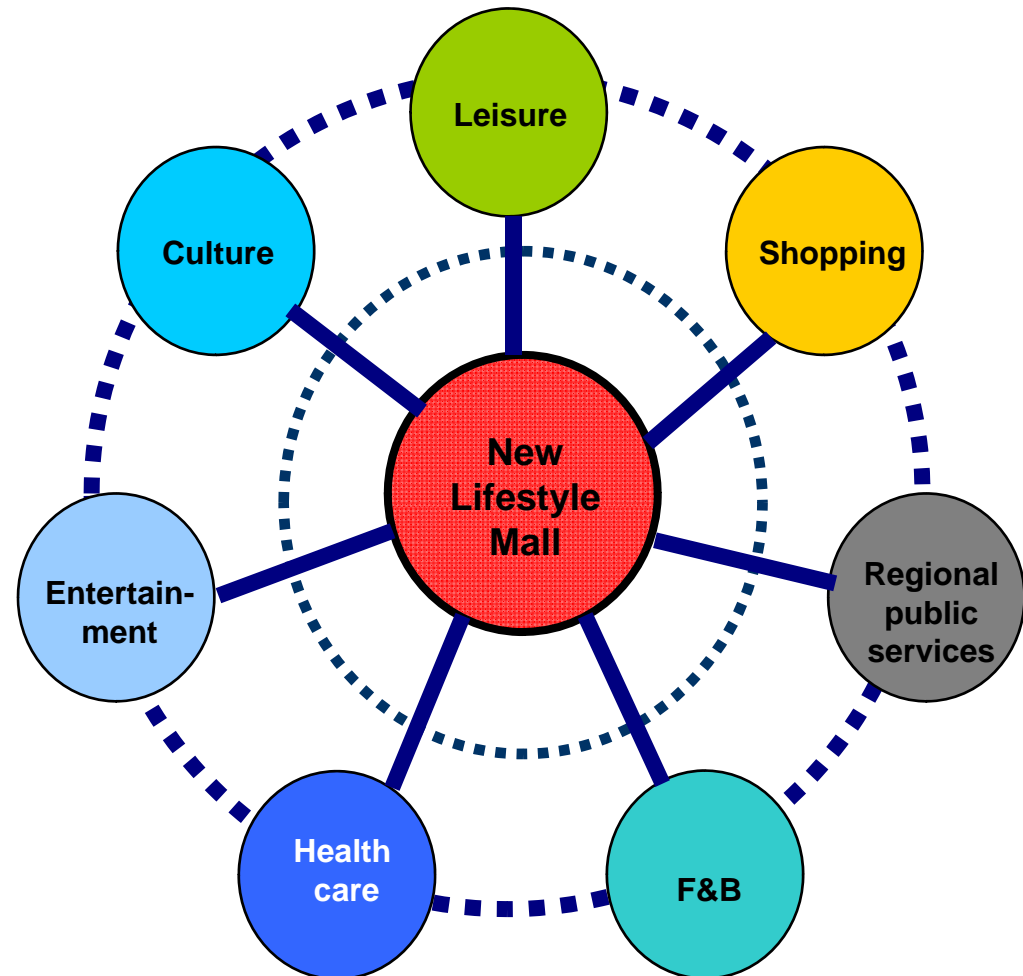
- the project be positioned as a mid-market mall initially which can gradually be upgraded to a up-market mall in due course.
- a higher floor space allocation to shopping facilities so as to prolong the hours of shoppers staying in the mall.

Mid-end positioning + Mid- to high- end image positioning

- The project shall be positioned as a mid- to high-end mall and a few high-end retailers can be introduced to help lift the entire image of the project.
- The majority of the tenant mix shall be of mid- end to meet the mainstream demand of target consumers living in the vicinity of the project.

New Lifestyle Mall

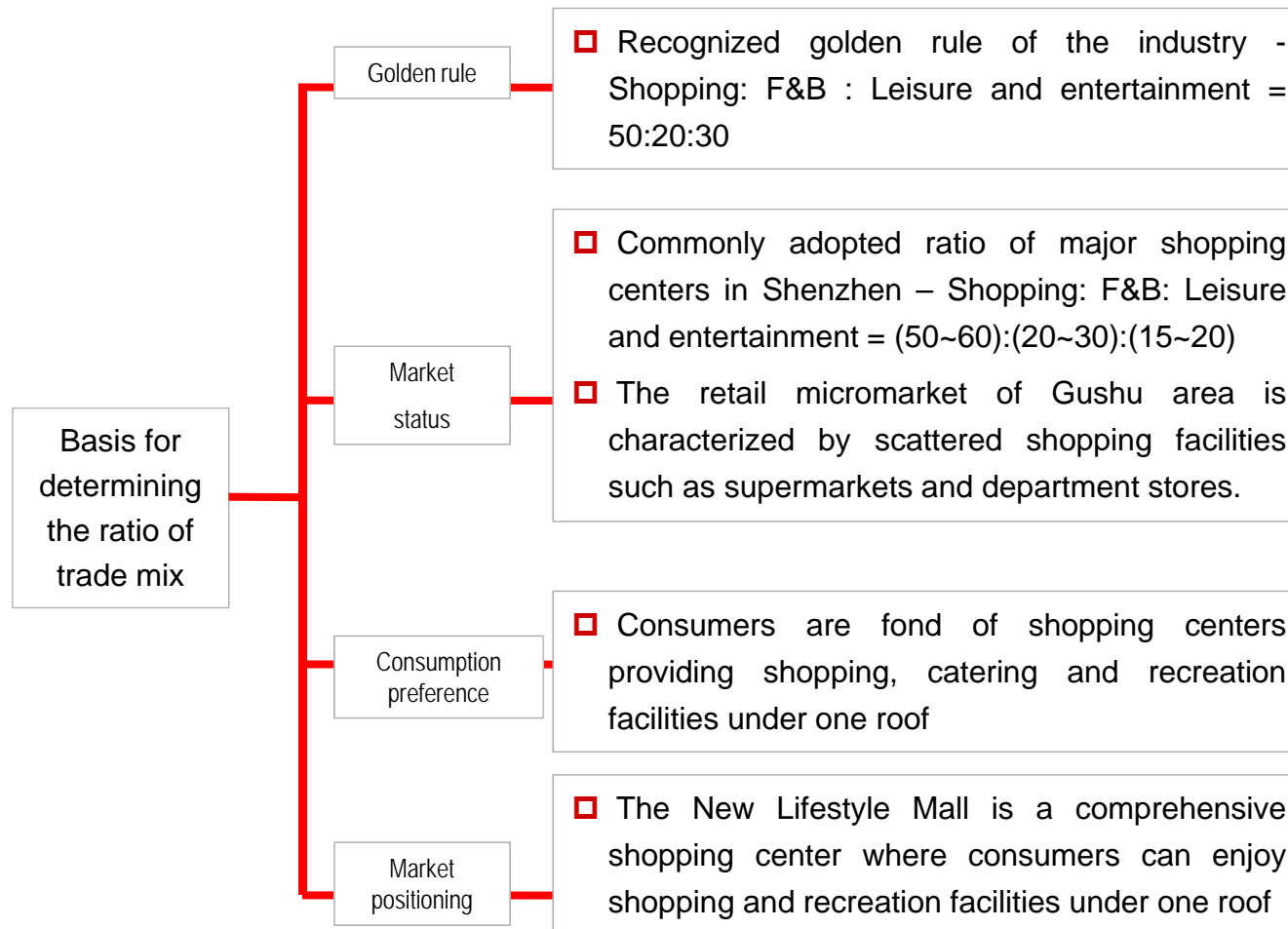
- **Shopping:** Supermarket providing daily necessities shall meet the demand of target family group residing in the proximity of the project. Meanwhile, introduce more branded boutiques offering fashionable items so as to meet the demand of white collars who work and live near the project
- **F&B :** Provide a mixed variety of catering facilities compassing the needs of the entire Gushu area
- **Leisure and entertainment:** Allocate an area for cinema, KTV and kids playground.



Trade Mix

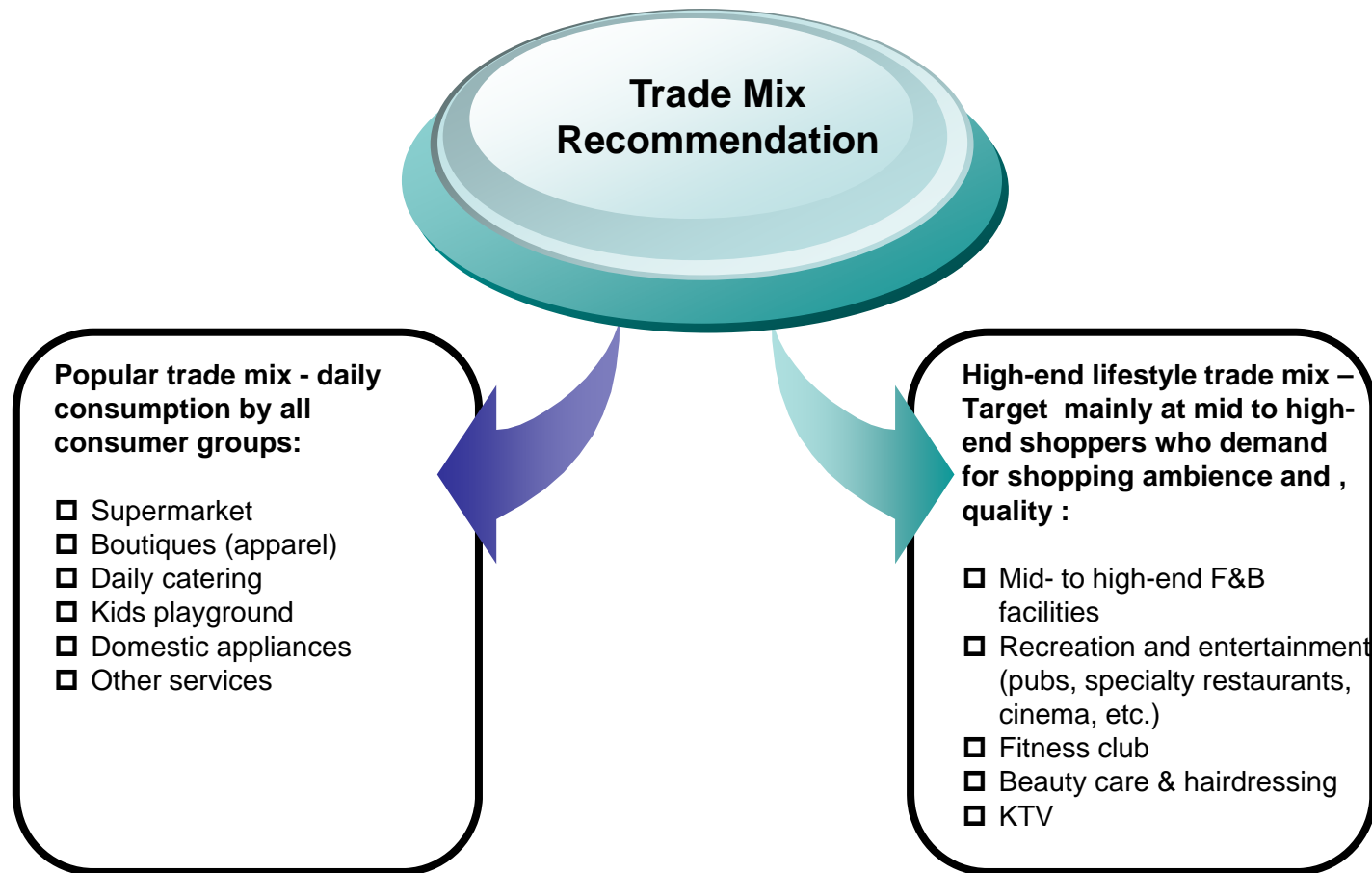
In order to increase the popularity of the retail facility of the project, we recommend the allocation of retail floor space to be based on the following ratio:

Shopping: F&B : Leisure & Entertainment = 46:25:29



Trade Mix

- The project will be designated as a **“new lifestyle mall”** with the main function of meeting daily shopping requirements of residents living within its close proximity.
- The mall will also offer a variety of high-end shopping and catering facilities that are currently rare in the Gushu area.



Trade mix	GFA (sq m)
Supermarket	5,000-6,000
Boutiques (apparel)	10,200-11,200
Specialty stores	2,400
Mid- to high-end restaurants	9,900
Specialty restaurants	
KTV	1,500
Cinema	5,000
Family consumption	5,000
GFA (incl. Underground Area)	40,000



We propose a retail floor space of **40,000 sq m** for the project, including a basement area of **10,000 sq m** (which will not be included in the Plot Ratio Accountable GFA).

Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. SWOT
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis

Sales performance of residential projects in Central Bao'an District					
Project	Unit configuration	Unit Size (sq m)	Launch date	No. of units	Sales performance (unit/month)
Happiness Coast Phase III	2-bedroom	80	2012-9-30	59	5
	3-bedroom	120-130		58	5
		130-140		88	7
	4-bedroom	145-158		58	5
Tian Yu Phase I & II	2-bedroom	80-90	2012-7-4	106	8
	4-bedroom	160-170		179	13
Jiahua Mingyuan	1-bedroom	60-70	2011-12-11	50	2
	2-bedroom	80-90		15	1
Gaofa West Coast Phase III	3-bedroom	125-135	2010-5-2	127	3
		160-170		170	4
	Duplex	160-180		106	3
	4-bedroom	200-210		45	1
		260-270		34	1
Xicheng Yazhu	1-bedroom	40-50	2012-8-3	164	13
		60-70		353	25
	2-bedroom	70-80		139	10
		80-90		159	12

- Overall, 2-bedroom (60-70 sq m) type of apartments remained popular in Central Bao'an and achieved good sales performance, followed by that of 4-bedroom (160-170 sq m) which provides a more comfortable living space
- Xicheng Yazhu's 2-bedroom apartments (60-70 sq m) sold out faster than any other types since the project was launched for sale in August 2012. At present, all units have been sold out.

Sales performance of residential projects in Bao'an District (within proximity of the subject property)					
Project	Unit configuration	Unit Size (sq m)	Launch date	No. of units	Sales performance (unit/month)
CITIC Linghang	1-bedroom	70-80	2012-9-08	163	14
	2-bedroom	80-90		489	41
	3-bedroom	120-130		116	10
		130-140		146 (sold out)	12
Taoyuanju Fengjingyuan	2-bedroom	80-90	2010-10-10	189	5
	3-bedroom	130-140		70	2
		140-150		67	2
	4-bedroom	140-150		116	3
		150-160		75	2
		170-180		153	4
Zhaoshang Guoling	1-bedroom	55-65	2011-10-29	127 (sold out in December 2012)	10
	2-bedroom	70-80		512	22
		80-90		706	31
	3-bedroom	125		348	15
COFCO Jinyun	1-bedroom	60-65	2012-7-29	60 (sold out in April 2013)	8
	2-bedroom	80-90		591	42
	3-bedroom	125-135		156	11

- Amongst the residential projects on sale in the proximity of the subject property, 2-bedroom type of apartments with unit sizes of 80-90 sq m and 70-80 sq m achieved good sales performance
- One-bedroom type of apartments (55-65 sq m) and 3-bedroom type of apartments (125-135 sq m) also received warm reception and achieved a reasonably good sales performance

Target Market:

Residents of Bao'an District are main target market of the project, followed by investors outside the district

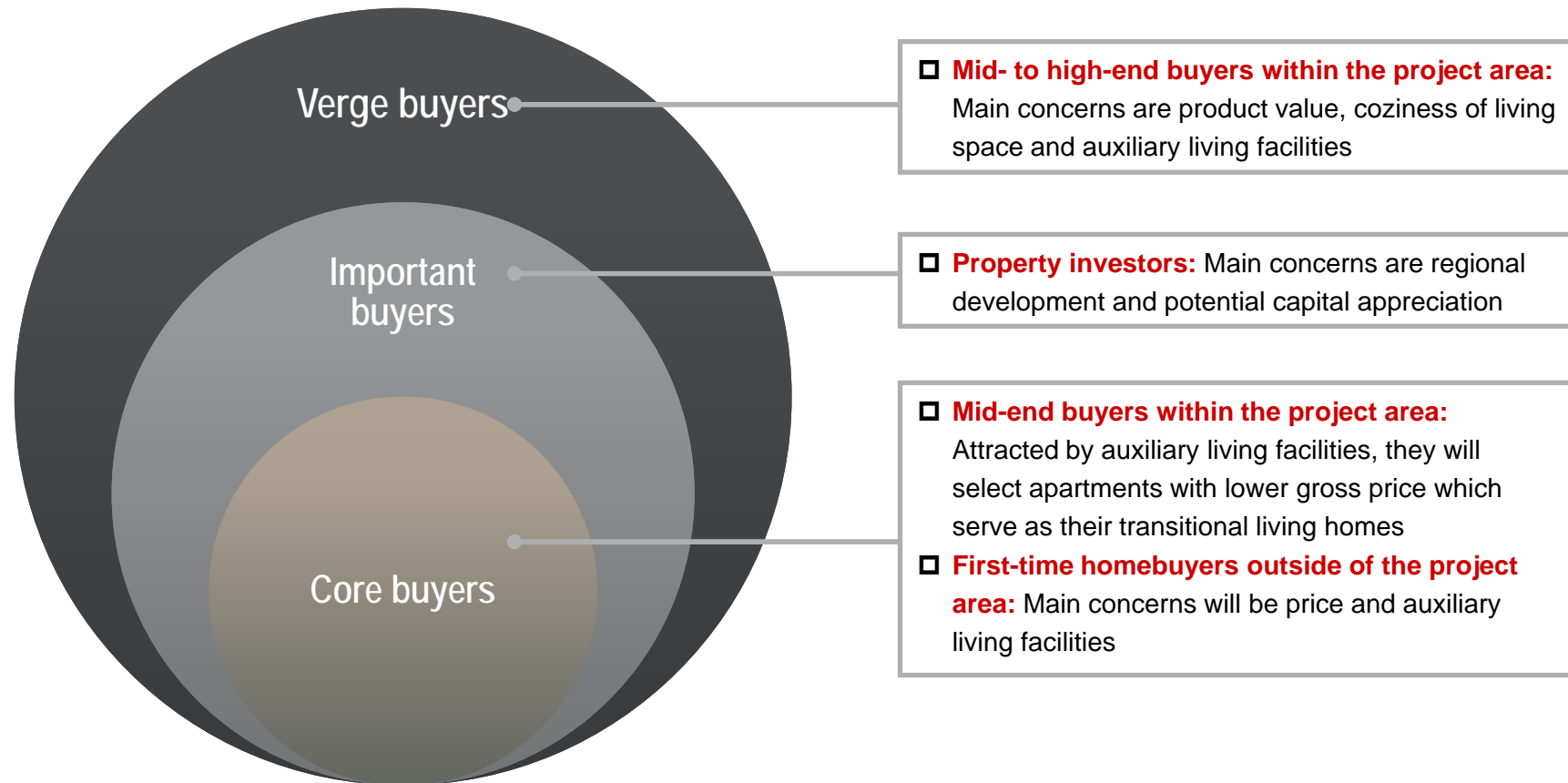
Region	Target Market	Career	Age	Family structure	Price affordability	Unit configuration and unit size	Concerns for property purchasing
Within project area	High-end customer	Private entrepreneurs, local residents and top management staff of enterprises/corporations	Around age of 40	4-5 member family	Above RMB 5 million	4-5 bedroom apartment above 150 sq m	Regional value, quality, surrounding facilities and developer's brand
	Mid- to high-end customer	Private entrepreneurs, middle management staff of enterprises/corporations, local residents and senior white collars	Mostly aged between 30~35 and a few aged between 35~40	3-4 member family	RMB 2.5~3.5 million	3-4 bedroom apartment of 125~135 sq m	Price, apartment type, surrounding facilities, environment and accessibility by metro
	Mid-end customer	White collars and working class	Aged between 20~30	Single person or 2-member family	Between RMB 1.3~2 million	1-2 bedroom apartment of 55~80 sq m	Price, decoration, surrounding facilities and accessibility by metro
Outside of project area	First-time homebuyer	Junior management staff of enterprises/corporations and white collars	Aged between 30~35	3-4 member family	Between RMB 1.5~2.5 million	2-3 bedroom apartment of 80~100 sq m	Price, apartment type, surrounding facilities, environment and accessibility by metro
	Home upgrader	Private entrepreneurs, top management staff of enterprises/corporations	Aged between 35~40 and a few aged 40~50	3-4 member family	Between RMB 3~4 million	3, 4-5 bedroom apartment above 135 sq m	Location, quality, surrounding facilities, regional value and overall urban planning
	Property investor	-	-	-	-	-	Location, traffic, price and regional development potential

First-time homebuyers and mid-end customers are main target customers of the project

At the same time, it is expected that there will be an increasing number of outside investors coming to Bao'an due to the district's rapid development

Target Market

Core buyer group will be mid-end buyers in project area and first-home buyers out of project area, and important buyer group will be outside property investor .



Aspiration of Target Buyers

1. Middle class of young age within and outside of project area who pursue comfortable living conditions
2. 1- to 2-bedroom apartment of sizes 55-100 sq m
3. Price sensitive, innovative product and practice, and sufficient supporting facilities

Recommendations

1. Unit size and configuration

- Major demand will be 1- to 2-bedroom apartments of 55-90 sq m
- B. N+1 or N+2 products with high efficiency rates and modification possibilities

2. Availability of supporting facilities

- Supporting facilities such as clubhouses for recreational and entertainment activities, plus shopping amenities

**Overall
development
strategy**

A living area with character and style for the young,
urban middle class

Strategy 1: Garden Features

To enhance the living comfort of core customers

Strategy 2: Supporting facilities

To build supporting facilities of high standards catering for needs of core customers

Strategy 3: Product

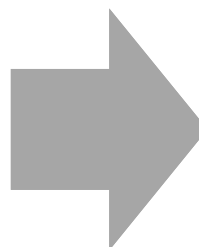
To create practical and innovative products for target customers

Product Positioning

Focus on 1- to 2- bedroom apartments of 55-90 sq m

□ Land conditions:

- High plot ratio
- 90/70 policy restriction: size of apartments below 90 sq m in a residential building must account for at least 70% of its total GFA
- Height restrictions of residential building: 100m



**Apartment type: High-rise
small sized apartments**

□ Design principle:

- Apartments of 55-90 sq m in size sold out faster than any other types
- Main design style is “N+1”, focusing on coziness of living environment and availability of recreational facilities and amenities

Property type	Configuration	Unit size (sq m)	Percentage of total area
High rise	1-bedroom, 1 living room	55-65	25%
	2-bedroom, 1 living room	80-90	70%
	3-bedroom, 1 living room	125-135	5%

Contents

1. Macroeconomic Analysis
2. Market Analysis
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
3. Baseline Review
4. SWOT
5. Overall Positioning
6. Positioning, by component
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
7. Financial Analysis
8. Risk Analysis

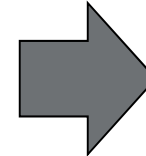
Note: *Direct Comparison Method* is adopted in assessing the future rents/prices for the subject property. Details of methodology could be found in Appendix.

Project Parameters

No.	Description		Area (m²)
1	Site		52,627.00
2	GFA		338,399.00
3	Plot ratio accountable GFA		278,399.00
	Apartment		80,520.00
	Office	R&D office	97,360.00
		Standard office	40,000.00
	Retail		60,519.00
		Area not including in GFA	70,000.00
4			
5		Parking	60,000.00
6		No. of parking spaces	1,500.00

Financial Analysis for three different options.

Usage		GFA (sq m)
Apartment (for sale)		80,520
Office	R & D office	Total: 94,200 For lease: 64,200 For sale: 30,000
	Standard office (for lease)	40,000
Retail	for lease	40,000
	for sale	23,679



Option A - Base Case Scenario

Partially for sale, partially for lease

- Partially sale of some property types could accomplish quick cash inflow. It would give the developer less pressure on fund raising and also lower the investment risk.

Option B – All-for-sale strategy

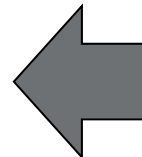
Sale of all property types

- Sale of all property types in order to gain the capital back in a shorter period of time.

Option C – Wholly own strategy

Leasing of all property types

- Applicable to good market situation or the enterprise itself have strong financial support.



Usage		GFA (sq m)
Apartment		80,520
Office	R & D office	94,200
	Standard office	40,000
Retail		63,679

Financial Analysis for Option A

— Partially for sale, partially for lease

Option A

Usage		GFA (sq m)
Apartment (for sale)		80,520
Office	R & D office	Total: 94,200 For lease: 64,200 For sale: 30,000
	Standard office (for lease)	40,000
Retail	for lease	40,000
	for sale	23,679

Development cost

No.	Description	Area (sq m)	Unit cost (USD/psm)	Total cost ('000)
1. Land cost		268,399.00	191.83	51,487.63
2. Total pre-development cost		268,399.00	139.65	17,965.84
2.1	Land conversion	268,399.00	58.27	9,773.21
2.2	Demolition	100,671.00	81.38	8,192.63
2.3	Design	268,399.00	19.18	5,148.76
3. Total construction cost		338,399.00	869.29	294,165.69
3.1	Apartment	80,520.00	651.04	52,421.88
3.2	Office	R & D office	94,200.00	976.56
		Standard office	40,000.00	1,139.32
3.3	Retail	for lease	40,000.00	1,171.88
		for sale	23,679.00	976.56
3.4	Underground car park	60,000.00	569.66	34,179.69
4. Total soft cost			358.33	12,125.94
4.1	Project examination fee	3% of item 3	173.86	5,883.31
4.2	Project management cost	3% of item 2 & 3	184.48	6,242.63
5. Marketing cost		3% of total pre-construction cost	426.80	14,442.72
6. Financial cost			823.30	27,860.36
7. Total development cost (excluding land cost)			13657.30	366,560.55
8. Total development cost			15,575.62	418,048.18

Investment Schedule

No.	Description	(USD'000)	2013	2014	2015	2016	2017	2018
1	Land cost	51,487.63	51,487.63					
2	Pre-development cost	17,965.84		8,982.92	8,982.92			
3	Construction cost	294,165.69				132,775.46	117,666.28	43,723.96
	Apartment	52,421.88				31,453	20,968.75	
	Office	R&D office (sq m)	91,992.19			36,796.88	36,796.88	18,398.44
		Standard office(sq m)	45,572.92			18,229.17	18,229.17	9,114.58
	Retail	for lease	46,875.00			18,750.00	18,750.00	9,375.00
		for sale	23,124.02			13,874.41	9,249.61	
	Underground car park	34,179.69				13,671.88	13,671.88	6,835.94
4	Soft cost	12,125.94		1,212.59	1,212.59	3,637.78	3,637.78	2,425.19
5	Marketing cost	14,442.72				2,888.54	5,777.09	5,777.09
6	Total development cost(not including interest of construction by phase)	390,187.82	51,487.63	10,195.51	10,195.51	139,301.78	127,081.15	51,926.23
7	Interest expense	27,860.36				13,930.18	13,930.18	
8	Total development cost	418,048.18	51,487.63	10,195.51	10,195.51	153,231.96	141,011.32	51,926.23

Source & Application of Funds

□ Source of funding

No.	Description	Total (2013-2033)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
I	Sources of funding	2,059,892.54	51,487.63	10,195.51	10,195.51	139,301.77	481,421.28	230,642.44	30,103.71	41,994.47	42,577.68	43,170.57
1	Cash source of operating activities	1,848,712.11		0.00	0.00	0.00	481,421.28	230,642.44	30,103.71	41,994.47	42,577.68	43,170.57
2	Cash source generated by financing activities	211,180.43	51,487.63	10,195.51	10,195.51	139,301.77	0.00					

No.	Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
I	Sources of funding	43,773.31	44,386.07	45,009.04	45,642.40	46,286.33	46,941.03	47,606.69	48,283.51	48,971.70	48,339.80	513,562.09
1	Cash source of operating activities	43,773.31	44,386.07	45,009.04	45,642.40	46,286.33	46,941.03	47,606.69	48,283.51	48,971.70	48,339.80	513,562.09
2	Cash source generated by financing activities											

□ Application of funds

No.	Description	Total (2013-2033)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
II	Application of funds	1,158,552.83	51,487.63	10,195.51	10,195.51	153,231.94	334,923.17	253,031.71	4,149.39	7,774.71	12,294.89	16,034.04

No.	Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
II	Application of funds	16,228.88	16,426.96	16,628.35	16,833.11	17,041.29	17,252.95	17,468.16	17,686.98	17,909.48	17,708.17	134,049.98

Project Development Cash Flow (1)

No.	Description	Total (2013-2033)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
				1	2	3	4	5	6	7	8	9
1	Cash outflow											
1.1	Land acquisition cost	51,487.63	51,487.63									
1.2	Pre-development cost	17,965.84		8,982.92	8,982.92							
1.3	Construction cost	294,165.69				132,775.46	117,666.28	43,723.96				
1.4	Soft Cost	12,125.94		1,212.59	1,212.59	3,637.78	3,637.78	2,425.19				
1.5	Marketing cost	14,442.64				2,888.53	5,777.06	5,777.06				
1.6	LAT											
1.7	Corporate Income tax	259,178.28					20,229.76			16.19	5,364.27	9,045.51
1	Total cash outflow	649,366.03	51,487.63	10,195.51	10,195.51	139,301.77	147,310.87	51,926.20		16.19	5,364.27	9,045.51
			391,065.05	51,487.63	9,440.29	8,741.01	110,582.23	108,277.89	35,340.10	9.45	2,898.15	4,525.01
2	Total cash inflow	1,439,461.15					377,041.19	179,495.16	20,424.46	26,263.73	26,603.20	26,947.61
3	Net cash flow		(51,487.63)	(10,195.51)	(10,195.51)	(139,301.77)	229,730.32	127,568.96	20,424.46	26,247.53	21,238.93	17,902.09
4	Cumulative net cash flow		(51,487.63)	(61,683.14)	(71,878.66)	(211,180.43)	18,549.89	146,118.85	166,543.31	192,790.84	214,029.77	231,931.87
5	Present value of net cash flow		(51,487.63)	(9,440.29)	(8,741.01)	(110,582.23)	168,858.64	86,821.29	12,870.87	15,315.18	11,474.73	8,955.50
6	Cumulative present value of net cash flow		(51,487.63)	(60,927.92)	(69,668.93)	(180,251.17)	(11,392.52)	75,428.76	88,299.64	103,614.82	115,089.56	124,045.06

Project Development Cash Flow (2)

No.	Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		10	11	12	13	14	15	16	17	18	19	20
1	Cash outflows											
1.1	Land acquisition cost											
1.2	Pre-development cost											
1.3	Construction cost											
1.4	Soft cost											
1.5	Marketing cost											
1.6	LAT											
1.7	Corporate Income tax	9,181.48	9,319.70	9,460.23	9,603.10	9,748.35	9,896.03	10,046.18	10,198.84	10,354.07	10,210.54	126,504.03
1	Total cash Outflows	9,181.48	9,319.70	9,460.23	9,603.10	9,748.35	9,896.03	10,046.18	10,198.84	10,354.07	10,210.54	126,504.03
		4,252.80	3,997.06	3,756.79	3,531.04	3,318.93	3,119.64	2,932.38	2,756.43	2,591.10	2,365.91	27,141.21
2	Total cash Inflows	27,297.02	27,651.53	28,011.21	28,376.16	28,746.45	29,122.17	29,503.42	29,890.28	30,282.84	29,437.45	494,367.27
3	Net cash flow	18,115.54	18,331.83	18,550.99	18,773.06	18,998.10	19,226.15	19,457.24	19,691.44	19,928.77	19,226.91	367,863.23
4	Cumulative net cash flow	250,047.41	268,379.24	286,930.22	305,703.29	324,701.39	343,927.53	363,384.78	383,076.21	403,004.99	422,231.89	790,095.13
5	Present value of net cash flow	8,391.00	7,862.21	7,366.85	6,902.82	6,468.11	6,060.88	5,679.38	5,321.98	4,987.16	4,455.11	78,924.40
6	Cumulative present value of net cash flow	132,436.06	140,298.27	147,665.12	154,567.94	161,036.05	167,096.93	172,776.32	178,098.30	183,085.46	187,540.56	266,464.96

Option A – Financial Indicators

No.	Description	Total Amount (USD'000)
1	Total development cost	418,048.10
2	Sale income	693,934.39
3	Operating income	1,848,712.11
4	Gross profit	1,036,713.13
5	Profit after tax	777,534.85
6	Profit margin before tax	247.99%
7	Profit margin after tax	185.99%
8	FNPV	266,464.96
9	FIRR	31.75%
10	Present value of total investment	391,065.05
11	Net present value rate	0.68

Financial Valuation for Option B

—— Leasing of all property types

Option B

Usage		GFA (sq m)
Apartment		80,520
Office	R & D office	94,200
	Standard office	40,000
Retail		63,679

Development cost

No.	Description		Area (sq m)	Unit cost (USD/psm)	Total cost ('000)
1.	Land cost		268,399.00	191.83	51,487.63
2.	Total pre-construction cost			139.65	23,114.60
2.1	Land conversion		268,399.00	58.27	9,773.21
2.2	Demolition		100,671.00	81.38	8,192.63
2.3	Design		268,399.00	19.18	5,148.76
3.	Total construction cost		338,399.00	8,829.53	298,790.49
3.1	Apartment		80,520.00	651.04	52,421.88
3.2	Office	R & D office	94,200.00	976.56	91,992.19
		Standard office	40,000.00	1,139.32	45,572.92
3.3	Retail for lease		63,679.00	1,171.88	74,623.83
3.4	Underground car park		60,000.00	569.66	34,179.69
4.	Total soft cost			366.84	12,413.91
4.1	Project examination fee		3% of item 3	176.59	5975.81
4.2	Project management cost		3% of item 2 & 3	190.25	6438.10
5.	Marketing cost		Equivalent to one month rental	70.60	2,389.14
6.	Financial cost			1,121.51	37,951.73
7.	Total development cost(excluding land cost)			13,959.06	374,659.89
8.	Total development cost			15,877.39	426,147.52

Investment Schedule

No.	Description	(USD'000)	2013	2014	2015	2016	2017	2018
1	Land cost	51,487.63	51,487.63					
2	Pre-development cost	23,114.60		11,557.30	11,557.30			
3	Construction cost	298,790.49				130,000.57	119,516.20	49,273.72
	Apartment	52,421.88				31,453	20,968.75	
	Office							
	R&D office	91,992.19				36,796.88	36,796.88	18,398.44
	Standard office	45,572.92				18,229.17	18,229.17	9,114.58
	Retail							
	For lease	74,623.83				29,849.53	29,849.53	14,924.77
	Underground car park	34,179.69				13,671.88	13,671.88	6,835.94
4	Soft cost	12,413.91		1,241.39	1,241.39	3,724.17	3,724.17	2,482.78
5	Marketing cost	2,389.14				477.83	955.66	955.66
6	Total development cost (not including the interest of construction by phase)	388,195.78	51,487.63	12,798.69	12,798.69	134,202.58	124,196.03	52,712.16
7	Interest expense	37,951.73				13000.06	24951.68	29879.05
8	Total development cost	426,147.52	51,487.63	12,798.69	12,798.69	147,202.63	149,147.71	82,591.21

Source & Application of Funds

□ Source of funding

No.	Description	Total (2013-2033)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
I	Sources of Funding	2,019,548.86	51,487.63	12,798.69	12,798.69	130,000.57	119,516.20	75,664.51	43,010.50	58,566.24	59,363.13	60,172.79
1	Cash source of operating activities	1,643,673.35	0.00	0.00	0.00	0.00	0.00	26,390.79	43,010.50	58,566.24	59,363.13	60,172.79
2	Cash source generated by financing activities	375,875.51	51,487.63	12,798.69	12,798.69	130,000.57	119,516.20	49,273.72	0.00	0.00	0.00	0.00

No.	Item	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
I	Sources of funding	60,995.44	61,831.32	62,680.65	63,543.67	64,420.62	65,311.75	66,217.31	67,137.54	68,072.72	69,023.11	746,935.77
1	Cash source of operating activities	60,995.44	61,831.32	62,680.65	63,543.67	64,420.62	65,311.75	66,217.31	67,137.54	68,072.72	69,023.11	746,935.77
2	Cash source generated by financing activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

□ Application of funds

No.	Description	Total (2013-2033)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
II	Application of funds	1,461,221.90	51,487.63	12,798.69	12,798.69	143,000.63	144,467.88	83,103.88	35,471.54	48,008.38	57,634.89	57,301.83

No.	Item	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
II	Application of funds	58,206.44	59,536.48	60,162.43	60,856.63	61,546.18	62,237.22	62,928.48	63,619.26	64,308.76	65,455.14	196,290.84

Project Development Cash Flow (1)

No.	Item	Total	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
				1	2	3	4	5	6	7	8	9
1	Total cash outflows	686,916.77	51,487.63	12,798.69	12,798.69	134,202.58	124,196.03	52,712.16	3,438.44			
386,197.63			51,487.63	11,850.64	10,972.82	106,534.33	91,287.79	35,875.01	2,166.80			
2.1	Retail rental income	521,038.31						19,607.60	28,055.21	31,669.38	31,986.07	32,305.93
2.2	Standard office rental income	149,423.86						1,811.38	4,619.03	8,951.67	9,130.70	9,313.32
2.3	R&D office rental income	251,352.27						3,047.00	7,769.86	15,057.99	15,359.15	15,666.33
2.4	Parking lots rental income	44,912.11						1,924.80	2,566.41	2,887.21	2,887.21	2,887.21
2.5	Apartment rental income	84,757.93						2,278.92	3,990.40	4,593.65	4,731.46	4,873.40
2.6	Plus: Asset Final Term value	676,946.80										
2	Total cash inflows	1,580,426.02						24,718.60	41,408.40	52,925.53	54,820.48	55,680.27
3	Net cash flow		(51,487.63)	(12,798.69)	(12,798.69)	(134,202.58)	(124,196.03)	(27,993.56)	37,969.96	52,925.53	54,820.48	55,680.27
4	Cumulative net cash flow		(51,487.63)	(64,286.32)	(77,085.02)	(211,287.59)	(335,483.62)	(363,477.18)	(325,507.22)	(272,581.68)	(217,761.20)	(162,080.93)
5	Present value of net cash flow		(51,487.63)	(11,850.64)	(10,972.82)	(106,534.33)	(91,287.79)	(19,051.95)	23,927.52	30,881.54	29,617.80	27,854.00
6	Cumulative present value of net cash flow		(51,487.63)	(63,338.27)	(74,311.09)	(180,845.42)	(272,133.21)	(291,185.15)	(267,257.64)	(236,376.10)	(206,758.30)	(178,904.30)

Project Development Cash Flow (2)

No.	Item	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		10	11	12	13	14	15	16	17	18	19	20
1	Total cash outflows	7,867.64	8,485.32	9,161.97	9,884.06	10,656.31	11,482.00	12,364.78	13,308.55	14,317.46	15,395.95	185,796.95
		3,644.24	3,639.21	3,638.35	3,634.35	3,628.06	3,619.60	3,609.16	3,596.89	3,582.93	3,567.43	39,862.40
2.1	Retail rental income	32,628.99	32,955.28	33,284.83	33,617.68	33,953.86	34,293.40	34,636.33	34,982.69	35,332.52	35,685.85	36,042.70
2.2	Standard office rental income	9,499.59	9,689.58	9,883.37	10,081.04	10,282.66	10,488.31	10,698.08	10,912.04	11,130.28	11,352.88	11,579.94
2.3	R&D office rental income	15,979.66	16,299.25	16,625.24	16,957.74	17,296.90	17,642.84	17,995.69	18,355.61	18,722.72	19,097.17	19,479.12
2.4	Parking lots rental income	2,887.21	2,887.21	2,887.21	2,887.21	2,887.21	2,887.21	2,887.21	2,887.21	2,887.21	2,887.21	2,887.21
2.5	Apartment rental income	5,019.61	5,170.19	5,325.30	5,485.06	5,649.61	5,819.10	5,993.67	6,173.48	6,358.69	6,549.45	6,745.93
2.6	Plus: Asset Final Term value											676,946.80
2	Total cash inflows	56,555.65	57,446.93	58,354.45	59,278.54	60,219.54	61,177.81	62,153.70	63,147.59	64,159.84	65,190.85	743,187.82
3	Net cash flow	48,688.01	48,961.61	49,192.48	49,394.48	49,563.23	49,695.81	49,788.92	49,839.04	49,842.39	49,794.90	557,390.86
4	Cumulative net cash flow	(113,392.92)	(64,431.31)	(15,238.84)	34,155.65	83,718.88	133,414.69	183,203.62	233,042.66	282,885.05	332,679.95	890,070.81
5	Present value of net cash flow	22,551.97	20,998.80	19,535.01	18,162.25	16,874.35	15,666.19	14,532.91	13,469.95	12,473.01	11,538.08	119,587.21
6	Cumulative present value of net cash flow	(156,352.33)	(135,353.53)	(115,818.52)	(97,656.28)	(80,781.93)	(65,115.73)	(50,582.82)	(37,112.88)	(24,639.87)	(13,101.79)	106,485.42

Option B - Financial Indicators

No.	Description	Total Amount (USD'000)
1	Total development	426,147.52
2	Sale income	0.00
3	Operating income	1,728,431.28
4	Gross profit	867,203.63
5	Profit after tax	568,482.65
6	Profit margin before tax	203.50%
7	Profit margin after tax	133.40%
8	FNPV	106,485.42
9	FIRR	11.16%
10	Present value of total investment	386,197.63
11	The net present value rate	0.28

Financial Analysis for Option C

—— Sale of all property types

Option C

Usage		GFA (sq m)
Apartments		80,520
Office	R & D office	94,200
	Standard office	40,000
Retail		63,679

Development Cost

No.	Description		Area (sq m)	Unit cost (USD/psm)	Total cost ('000)
1.	Land cost		268,399.00	191.83	51,487.63
2.	Total pre-construction cost			139.65	23,114.60
2.1	Land conversion		268,399.00	58.27	9,773.21
2.2	Demolition		100,671.00	81.38	8,192.63
2.3	Design		268,399.00	19.18	5,148.76
3.	Total construction cost		338,399.00	8,462.00	286,353.19
3.1	Apartment		80,520.00	651.04	52,421.88
3.2	Office	R & D office	94,200.00	976.56	91,992.19
3.3		Standard office	40,000.00	1139.32	45,572.92
3.4	Retail		63,679.00	976.56	62,186.52
3.5	Underground car park		60,000.00	569.66	34,179.69
4.	Total soft cost			352.14	11,916.42
4.1	Project Examination Fee		Item 3*3%	169.24	5727.06
4.2	Project Management cost		(Item 2+item 3)*3%	182.90	6189.36
5	Marketing cost		3% of total pre-construction cost	1,214.62	41,102.49
6	Financial cost			808.64	27,364.22
7	Total development cost (excluding land cost)			14,525.05	389,850.92
8	Total development cost			16,443.38	441,338.55

Investment Schedule

No.	Description	(USD'000)	2013	2014	2015	2016	2017	2018
1	Land cost	51,487.63	51,487.63					
2	Pre-development cost	23,114.60		11,557.30	11,557.30			
3	Construction cost	286,353.19				125,025.65	114,541.28	46,786.26
	Apartment	52,421.88				31,453	20,968.75	
	Office R&D office (sq m)	91,992.19				36,796.88	36,796.88	18,398.44
	Office Standard office (sq m)	45,572.92				18,229.17	18,229.17	9,114.58
	Retail	62,186.52				24,874.61	24,874.61	12,437.30
	Underground car park	34,179.69				13,671.88	13,671.88	6,835.94
4	Soft cost	11,916.42		1,191.64	1,191.64	3,574.93	3,574.93	2,383.28
5	Marketing cost	41,102.49				8,220.50	16,441.00	16,441.00
6	Total development cost (not including interest of construction by phase)	413,974.33	51,487.63	12,748.94	12,748.94	136,821.07	134,557.20	65,610.54
7	Interest expense	27,364.22				13682.11	13682.11	0.00
8	Total development cost	441,338.55	51,487.63	12,748.94	12,748.94	150,503.18	148,239.30	65,610.54

Source & Application of Funds

□ Source of funding

No.	Description	Total (2013-2033)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
I	Sources of funding	1,583,889.52	51,487.63	12,748.94	12,748.94	136,821.07	690,067.15	680,015.78	0.00	0.00	0.00	0.00
1	Cash source of operating activities	1,026,754.47	0.00	0.00	0.00	0.00	690,067.15	680,015.78	0.00	0.00	0.00	0.00
2	Cash source generated by financing activities	213,806.59	51,487.63	12,748.94	12,748.94	136,821.07	0.00	0.00	0.00	0.00	0.00	0.00

No.	Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
I	Sources of funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1	Cash source of operating activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Cash source generated by financing activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

□ Application of funds

No.	Item	Total (2013-2033)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
II	Application of funds	748,823.55	51,487.63	12,748.94	12,748.94	138,707.76	371,744.21	161,386.06	0.00	0.00	0.00	0.00

No.	Item	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
II	Application of funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Project Development Cash Flow

No.	Description	Total	2013	2014	2015	2016	2017	2018
1	Total cash outflows	557,179.16	51,487.63	12,748.94	12,748.94	136,821.07	215,623.96	419,340.87
		626,721.75	51,487.63	11,804.58	10,930.16	108,612.98	158,490.05	285,396.35
2.1	Retail sale income	206,169.67						206,169.67
		241,437.24					143,144.61	98,292.63
2.2	Standard office sale income	229,879.31					136,292.08	93,587.23
2.3	R&D office sale income	349,268.25					207,076.03	142,192.21
2.5	Apartment sale income	343,328.46					203,554.42	139,774.04
	Minus: Retail sale tax and additional	11,751.67						11,751.67
		13,761.92					8,159.24	5,602.68
	Standard office sale tax and additional	13,103.12					7,768.65	5,334.47
	R&D office sale tax and additional	19,908.29					11,803.33	8,104.96
	Apartment sale tax and additional	19,569.72					11,602.60	7,967.12
2	Total cash inflows	1,064,312.89					515,747.96	548,564.93
3	Net cash flow		(51,487.63)	(12,748.94)	(12,748.94)	(136,821.07)	300,124.00	129,224.06
4	Cumulative net cash flow		(51,487.63)	(64,236.57)	(76,985.52)	(213,806.59)	86,317.41	215,541.47
5	Present value of net cash flow		(51,487.63)	(11,804.58)	(10,930.16)	(108,612.98)	220,600.10	87,947.72
6	Cumulative present value of net cash flow		(51,487.63)	(63,292.21)	(74,222.37)	(182,835.35)	37,764.75	125,712.47

Option C - Financial Indicators

No.	Description	Total amount (USD '000)
1	Total development cost	441,338.55
2	Sale income	1,370,082.93
3	Gross profit	572,819.31
4	Profit after tax	429,614.48
5	Profit margin before tax	129.79%
6	Profit margin after tax	97.34%
7	FNPV	125,712.47
8	FIRR	33.21%
9	Present value of total investment	626,721.75
10	Net present value rate	0.20

Conclusions

Financial parameters	Option A (Part sale, Part Lease)	Option B (Leasing of all property types)	Option C (Sale of all property types)
Profit margin before tax	247.99%	203.50%	129.79%
Profit margin after tax	185.99%	133.40%	97.34%
FNPV (USD'000)	266,464.96	106,485.42	125,712.47
FIRR	31.75%	11.16%	33.21%
Present value of total investment (USD'000)	391,065.05	386,197.63	626,721.75
Net present value rate	0.68	0.28	0.20

There are three basic options which can be taken into consideration for the proposed Namtai project. In comparison, Option C has the highest FIRR, but Option A has the highest FNPV and second highest FIRR. More importantly, *Option A's net present value rate is the highest amongst the three, meaning that the option provides a higher risk bearing capacity.* **In conclusion, we recommend Option A as it shows a well-balanced financial return.**

Contents

- 1. Macroeconomic Analysis**
- 2. Market Analysis**
 - 2.1 Office Market
 - 2.2 Retail Market
 - 2.3 Residential Market
- 3. Baseline Review**
- 4. SWOT**
- 5. Overall Positioning**
- 6. Positioning, by component**
 - 6.1 Office Market
 - 6.2 Retail Market
 - 6.3 Residential Market
- 7. Financial Analysis**
 - 7.1 Option A
 - 7.2 Option B
 - 7.3 Option C
- 8. Risk Analysis**

□ Land Policy

The risk comes from land policy enforcement and implementation.

In January of 2013, **Shenzhen government's "1+6" document** came into effect. The document mentions that under certain circumstances, 50% of an industrial building can be sold if the owner needs funds for development of other industrial projects. However, details of the policy have yet to be finalized.

□ Housing Policy

The risk comes from constant change in housing policies to stabilize residential prices.

On March 25 of 2013, the Guangdong government issued local regulations pursuant to "State Five Policies", which specify that a "double-limit policy" limiting home purchases and price levels will be enforced in Guangzhou and Shenzhen. Home purchases limit will also be enforced in Foshan and Zhuhai.

□ Financial Policy

The risk comes from constant adjustment in state's financial policies making it difficult for developers to obtain loans from banks for real estate development.

If government tightens credit, it will lead to suspension of ongoing projects due to shortage of funds and delay in completion of projects will incur large losses to investors and operators of the real estate industry.

**Developed
economies**

- ❑ Signs of gradual recovery of the U.S. economy
- ❑ Euro countries in doldrums due to continuous worsening of the European debt crisis
- ❑ Signs of recovery in the real estate sector and other related industries

**Emerging
economies**

- ❑ Slowing down of many emerging economies
- ❑ Emerging economies still register faster economic growth
- ❑ Still optimistic development trend

The U.S. economy
and emerging
economies have
become a
"Stabilizer" for
global economy

The Impact of Global Economic Crisis on Real Estate Market

——Investment confidence largely shaken

Developer and investor

- ❑ Confidence of developer and investor is low
- ❑ Capital chain tension due to bank's credit crunch
- ❑ Property value decline leads to huge loss, even bankruptcy
- ❑ Dash for cash by some investors lead to further price dropping

Property owner

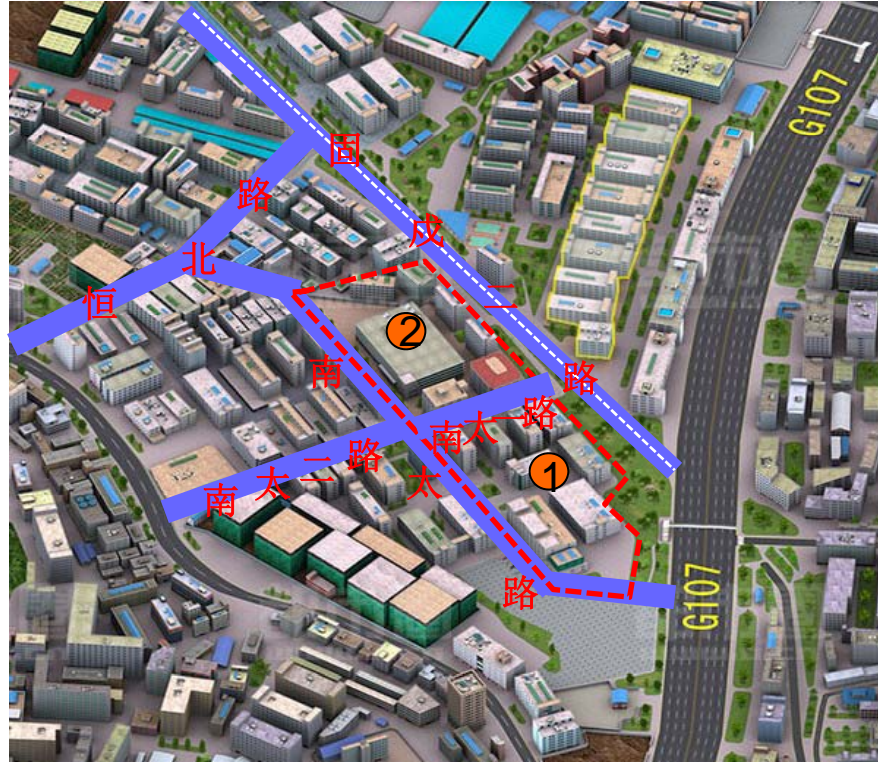
- ❑ Property value decline leads to asset devaluation
- ❑ Decrease of demand leads to drop in rental level
- ❑ Drop in rental level leads to reduction in return
- ❑ Some property owners undersell property due to credit crunch

User

- ❑ Rent affordability lowered due to bad operation of enterprise
- ❑ Less demand for high-end property due to unfavorable economic environment
- ❑ Less demand for office buildings due to layoffs and downsizing of enterprise

National Policy	Global Economic Environment	Development Strategy
-----------------	-----------------------------	----------------------

	Plot 1	Plot 2
Status	Idle plants, old and shabby	Built in 2003, with high occupancy rate
Development status	Standard office R&D office Retail	Residential Bottom layers partially used for retail
Fund demand	High investment cost in initial development stage, cash flow back is slow, developer may face huge fund pressure	Most properties on-sale have a short capital withdrawal
Development strategy	Develop project in stage - use capital generated from sales in first stage to support development in second stage which can be held long term to maximize return	





Thanks!

Disclaimer:

The material herein is intended as a guide only, no liability for negligence or otherwise is assumed for the material contained herein by Jones Lang LaSalle, its principal or its servants or its agents. No material contained herein shall form the basis of or be part of any agreement and no warranty is given or implied as to the accuracy of the whole or any part of the material. Prospective readers should not rely on the material but should make their own enquiries and satisfy themselves of all aspects of the material.

COPYRIGHT © JONES LANG LASALLE IP, INC. 2013

