

INDUSTRY OVERVIEW

This section contains information relating to the economy of the PRC and the industry in which the Target Group operates. The Company has extracted and derived the information in the section below, in part, from the Market Research Report, a commissioned report from DTZ. Please see the paragraph “— Sources of Information” below. The Company believes that such sources are appropriate sources for the information and statistics below, including forward-looking information for future periods as identified, and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by the Company, the Target Group, the Sponsor, any of their respective affiliates or advisers, or any party involved in the [REDACTED] and no representation is given as to its accuracy. The information and statistics should not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF INFORMATION

In connection with the [REDACTED], the Company commissioned the Market Research Report from DTZ for use in this Circular to provide Shareholders with information relating to the economy of the PRC, the residential property market in Quanzhou and Yangzhou and the industry in which the Target Group operates. DTZ has charged a total fee of HK\$350,000 for the preparation of the Market Research Report.

DTZ is a global real estate adviser, which offers a range of services including investment agency, leasing agency, property and facilities management, project and building consultancy, investment and asset management, market research and forecasting and valuation. DTZ has 208 offices in 52 countries.

For the purpose of the [REDACTED], DTZ also serves as the Company’s independent property valuer. A property valuation report prepared by DTZ which relates to the Target Group’s property interests is included in Appendix IV to this Circular. DTZ provided services through its independent valuation team and independent market research team. The Market Research Report was prepared primarily by the designated market research team of DTZ based on data from the PRC government, renowned research institutions and the proprietary databases of DTZ. In the course of research, DTZ conducted interviews with local marketing agents in the residential property sector.

The following sets out the main reasons why DTZ adopted the above sources of information and considered them as reliable:

- It is general market practice to adopt official data and announcements from various Chinese government agencies; and
- DTZ understands the data collection methodology and source of the subscribed database from China Real Estate Index System.

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While preparing the Market Research Report, DTZ has relied on the major assumptions listed below:

- The macro-economic environment of each of the PRC, Yangzhou and Quanzhou is expected to grow at a steady rate;
- The political environment of the PRC remains stable; and
- The real estate industry of each of the PRC, Yangzhou and Quanzhou is expected to grow at a steady rate.

Based on the review and analysis of the above basis and assumptions, nothing has come to the attention of the Directors, the proposed Directors and the Sponsor to indicate that such information is misleading. As at the Latest Practicable Date, the Directors and the proposed Directors confirm that to the best of their knowledge and information and taking reasonable care, there is no adverse change in the market information since the date of the Market Research Report, which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE PRC ECONOMY

Over the past few years, the PRC’s economy was affected by the worldwide economic turmoil. However, under the influence of various macro-economic policies, the PRC’s GDP growth has remained strong, with a GDP growth from approximately RMB31,405 billion in 2008 to approximately RMB63,646 billion in 2014, representing a CAGR of approximately 12.5%. According to the information from the National Bureau of Statistics of China, the PRC has been the world’s second largest economy in terms of nominal GDP since 2010.

Main economic indicators of the PRC

Under the influence of the PRC government’s macro-economic policies, investment in fixed assets has maintained a steady growth. The total investment in fixed assets of the whole society has increased from approximately RMB17,283 billion in 2008 to approximately RMB51,276 billion in 2014, representing a CAGR of approximately 19.9%. The urban resident disposable income per capita has increased from approximately RMB15,781 in 2008 to approximately RMB28,844 in 2014, representing a CAGR of approximately 10.6%. This growth shows that willingness of urban residents to consume has increased, with their purchasing power raised.

PRC’s main economic indicators

	2008	2009	2010	2011	2012	2013	2014	2008– 2014 CAGR
Nominal GDP (RMB billion)	31,405	34,090	40,151	47,310	51,947	56,885	63,646	12.5%
Real GDP Growth (%)	9.6	9.2	10.4	9.3	7.8	7.7	7.4	N/A
GDP per capita (RMB)	23,708	25,608	30,015	35,198	38,459	41,908	46,652	11.9%
Urban disposable income per capita (RMB)	15,781	17,175	19,109	21,810	24,565	26,955	28,844	10.6%
Fixed asset investment (RMB billion)	17,283	22,460	25,168	31,149	37,470	44,629	51,276	19.9%

Notes: N/A means not applicable or not available, data in 2014 are tentative figures provided by National Bureau of Statistics of China

Sources: China Statistical Yearbook 2014, National Bureau of Statistics of China, DTZ

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The PRC’s economic outlook and government policies established for economic growth and urbanisation

The PRC’s economic development had boosted the pace of urbanisation. Over the past 10 years, the proportion of urbanisation in the PRC increased by 1% to 1.5% every year reaching 55% in 2014. An increase of 1% represents an increase of approximately 13 million people flooding into cities, which will in no doubt bring large housing and consuming demand to the cities in the PRC. According to the “National Plan on New Urbanisation (2014–2020)” (國家新型城鎮化規劃 (2014–2020)), released by the PRC State Council, certain measures will be carried out to increase the level and quality of China’s urbanisation in the future, aiming at having the urbanisation rate to reach 60% by 2020. The table below sets out some statistics regarding urbanisation of the PRC for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2008– 2014 CAGR
Population (million)	1,328	1,334	1,340	1,347	1,354	1,360	1,368	0.5%
Urban population (million)	624	645	669	690	711	731	749	3.1%
Urbanisation rate (%)	47%	48%	50%	51%	53%	54%	55%	2.7%

Note: Data in 2014 are tentative figures provided by National Bureau of Statistics of China

Sources: China Statistical Yearbook 2014, National Bureau of Statistics of China, DTZ

OVERVIEW OF THE PRC PROPERTY MARKET

The PRC government has put in place certain policies which are intended to stabilise the real estate prices and control the real estate loan in the PRC. These policies primarily relate to, among others, control over purchasing properties for speculation and adjustment of the minimum capital ratio of fixed asset investment projects according to the economic situations and the necessity of macro-economic control. For details of the aforesaid regulations, please refer to “Summary of Principal PRC Legal and Regulatory Provisions” in Appendix V to this circular.

Moreover, according to “Report on the Work of the Government” (政府工作報告) delivered by Mr. Li Keqiang, Premier of the State Council at the Second Session of the Twelfth National People’s Congress in March 2014, the PRC government would regulate housing differently in different cities in light of local conditions, increase the supply of small and medium-sized commercial and joint-ownership housing units, curb the demand for housing for speculation and investment purposes, and promote sustained and healthy development of the property market.

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According to "Report on the Work of the Government" (政府工作報告) delivered by Mr. Li Keqiang, Premier of the State Council at the Third Session of the Twelfth National People's Congress in March 2015, the PRC government will continue to focus on urbanization so as to narrow the gap between urban and rural area. It will further speed up the redevelopment of old buildings and increase the subsidized housing so as to support people's demand for properties for personal use and improvement. Reform of urban citizenship system for inbound residents will be imposed. More pilot cities for urbanization will be selected. It will also control the population of the mega cities and boost the population of county level cities by enhancing the social facilities therein.

In September 2014, the People's Bank of China and China Banking Regulatory Commission co-announced "Notice on Further Improving the Housing Financial Services" (關於進一步做好住房金融服務工作的通知), in which mortgage financing has been relaxed such that the down payment for 2nd home purchasers (with mortgage of 1st home fully paid) was reduced from 60% to 30%.

Furthermore, in March 2015, the People's Bank of China, China Banking Regulatory Commission and Ministry of Housing and Urban-Rural Development of the PRC co-announced "Notice on the related issues of Individual Housing Loan Policy" (關於個人住房貸款政策有關問題的通知). According to the announcement, the down payment of 2nd home purchasers (with mortgage of 1st home not yet fully paid) was reduced from 60% to 40%. Also, down payment for 1st home purchasers borrowing from Housing Provident Fund loan has been reduced from 30% to 20% and down payment for 2nd home purchasers borrowing from Housing Provident Fund loan has been reduced from 70% to 30%. According to "Notice on the Adjustment of the Minimum Down Payment Ratio of the Housing Provident Loans" (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) co-announced by the People's Bank of China, China Banking Regulatory Commission and Ministry of Housing and Urban-Rural Development of the PRC on 27 August 2015, down payment for 2nd home purchasers borrowing from Housing Provident Fund loan was further reduced from 30% to 20% effective from 1 September 2015 with an aim to support the housing demand. The relaxation of mortgage financing along with the increase of Housing Provident Fund loan allowance are expected to stimulate demand of 2nd home purchaser of residential properties.

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According to "Notice on Adjusting Policies on Admittance and Administration of Foreign Investment in Real Estate Market" (關於調整房地產市場外資准入和管理有關政策的通知) co-announced by Ministry of Housing and Urban-Rural Development and various government parties on 19 August 2015, the restrictions on foreign investment in the PRC property market has been loosened. The requirement for foreign real estate investment enterprises to pay registered capital in full before borrowing local loans, foreign loans and foreign exchange loans has been lifted, which lowers the initial financial burden of real estate investment. Also, the requirement that foreign individuals working/studying in the PRC must stay in the country for over a year before purchasing self-used properties has also been lifted. It is expected to bring a stimulating impact on the housing demand.

In addition, State Administration of Taxation announced "Notice on the Adjustments of Individual Housing Transfer Business Tax Policy" (關於調整個人住房轉讓營業稅政策的通知) in March 2015, that the application of tax exemption/reduction of secondary residential transaction was reduced from five years to two years. The announcement should further boost the confidence in the secondary residential property market in the PRC.

Also, the official borrowing and saving rates of the People's Bank of China reached the peak in July 2011 and it was adjusted downward twice in 2012, it was further adjusted down once in 2014, and four times in 2015 (the latest one being in August 2015). As a result of this change in monetary policy, the financing costs to purchase properties are lowered. It is expected to improve the liquidity and stimulate the demand of the property market and to maintain the market to grow at a steady rate.

Under the effects of domestic investment, consumption and the growth of the PRC economy, the PRC property market has been growing rapidly. The total investment in real estate development projects increased from approximately RMB3,120 billion in 2008 to approximately RMB9,504 billion in 2014, representing a CAGR of approximately 20.4%, although the real estate investment witnessed a slight decrease in growth since 2010.

According to the data released by the National Bureau of Statistics of China, the supply of residential properties, as reflected by the total GFA of residential properties completed, increased from approximately 1,594 million sq.m. in 2008 to approximately 1,933 million sq.m. in 2013. Due to the slowdown in the growth of real estate investment, the growth of total GFA of residential properties completed remained flat from 2011 to 2013. Due to a slowdown of construction of residential developments, the total GFA of residential properties completed experienced a decrease to approximately 1,075 million sq.m. in 2014. Similarly, the total GFA of residential properties under construction witnessed a decrease in growth in 2012 and 2013, and in 2014 it has dropped to approximately 5,936 million sq.m..

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The demand of residential properties witnessed a bounce back between 2008 and 2009, as the economy had recovered from the financial crisis in 2008. Between 2009 and 2012, the demand experienced a relatively small growth. The two downward adjustments on the official borrowing and saving rates made by the People’s Bank of China in 2012 had stimulated the demand for residential properties, which resulted in a boost of the total GFA of residential properties sold in 2013. However, in 2014 the demand witnessed a slight drop as the effects of the lowering of borrowing and saving rates were diluted. The average selling price of residential properties followed a similar trend, with a surge in growth between 2008 and 2009, and a slowdown in growth thereafter.

	2008	2009	2010	2011	2012	2013	2014	2008– 2014 CAGR
Real estate investment								
Real estate investment (RMB billion)	3,120	3,624	4,826	6,180	7,180	8,601	9,504	20.4%
Supply of residential properties								
Total GFA of residential properties completed (million sq.m.)	1,594	1,842	1,746	1,975	1,951	1,933	1,075	-6.4%
Demand of residential properties								
Total GFA of residential properties sold (million sq.m.)	593	862	934	965	985	1,157	1,052	10.0%
Total GFA of residential properties under construction (million sq.m.)	3,644	4,315	4,808	5,749	6,150	6,732	5,936	8.5%
Price level of residential properties								
Average selling price of residential properties (RMB per sq.m.)	3,576	4,459	4,725	4,993	5,430	5,850	N/A	10.3% ^(Note)

Notes: N/A means not applicable or not available; CAGR of average selling price of residential properties is based on data from 2008 to 2013, data in 2014 are tentative figures provided by National Bureau of Statistics of China

Sources: China Statistical Yearbook 2014, National Bureau of Statistics of China, DTZ

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Historical price trends of raw materials

The major construction materials used in the Target Group’s property development projects generally include, among other things, cement and steel, which are subject to market fluctuation and volatility. The purchasing price indices for industrial producers in the PRC from 2007 to 2014 are set out below:

	2007	2008	2009	2010	2011	2012	2013	2014
Purchasing price indices for industrial producers (Building materials) ^(Note) (Base year 2007=100)	100	109.5	110.7	114.9	124.6	124.2	122.6	122.3

Sources: National Bureau of Statistics of China, DTZ

Note: The indices reflect changes in the level of prices paid by construction/development enterprises when they purchase production input such as raw materials from the material exchange market or from other construction raw materials producing enterprises for a combined range of construction raw materials. General industry’s understanding of building materials includes, amongst other things, cement, steel, bitumen, concrete blocks, glass, steel, metal formwork, timber framework, paint, unplasticized PVC pipes, etc..

QUANZHOU

Overview of the city

Quanzhou is a third-tier city located in the southeastern part of Fujian Province of the PRC. The total area of Quanzhou is 11,015 sq.km. It is one of the three largest central cities of Fujian Province, and is an important economic, cultural and commercial centre in the economic zone between Fujian Province and West Coast. Quanzhou is connected to the provincial capital of Fuzhou in the north, to Xiamen Special Economic Zone in the south, to Taiwan in the east, and to Zhangzhou, Longyan and Sanming in the west. Its total economic output remains first rank in Fujian Province for 15 consecutive years.

In addition, the construction of the highways in Quanzhou will be strengthened. In 2015, the towns in Quanzhou will be connected by roads and highways of national level 2 or above, and it will take within 15 minutes to reach from any county administrative centres to highways. For most of the towns it takes half an hour, and for remote towns it could take up to an hour. It will shorten the travelling distance and time between counties within Quanzhou and boost the second-hand housing market in Huian and other surrounding counties.

Overview of economic development of Quanzhou

According to the “Twelfth Five-Year Plan relating to National Economic and Social Development in Quanzhou” (泉州市國民經濟和社會發展第十二個五年規劃綱要), during the “Twelfth Five-Year” period, the overall goal is to strive to transform Quanzhou into a modernised industry and trade port city in the West Coast Economic Zone (海峽西岸經濟區). It is expected that by 2015, Quanzhou’s total regional GDP will jump to approximately RMB650 billion at an average annual growth rate of more than 11%, retaining first rank in terms of the total regional GDP of the economy across the province.

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Quanzhou’s GDP went up year-over-year at an average rate of double-digit growth, reflecting broad-based growth momentum. The city’s regional GDP in 2014 was approximately RMB573 billion, with an increase of approximately 10% over the previous year. GDP per capita reached approximately RMB68,254 with an increase of approximately 9% over last year. Disposable income per capita increased from approximately RMB20,420 in 2008 to RMB34,820 in 2014. Fixed asset investment grew by nearly 242% to approximately RMB294 billion from 2008 to 2014. The development of private enterprises has added fresh impetus to Quanzhou’s GDP, while giving new vitality to its accelerated urbanisation, as noted from the increase in urbanisation rate from approximately 50% in 2008 to approximately 63% in 2014. The economic indicators are as follows:

	2008	2009	2010	2011	2012	2013	2014	2008– 2014 CAGR
Regional GDP (RMB billion)	280	307	357	420	470	522	573	12.7%
Regional GDP per capita (RMB)	35,209	38,249	43,959	51,413	57,002	62,679	68,254	11.7%
Urban disposable income per capita (RMB)	20,420	22,913	25,155	28,703	32,283	35,430	34,820	9.3%
Regional population (million)	6.78	6.81	6.85	6.90	6.93	7.03	7.16	0.9%
Urbanisation rate (%)	50	52	58	59	60	62	63	N/A
Fixed asset investment (RMB billion)	86	98	125	158	202	250	294	22.7%

Notes: N/A means not applicable or not available, data in 2014 are tentative figures from Quanzhou Statistics Handbook

Sources: Quanzhou Statistical Yearbook, Quanzhou Statistics Handbook, DTZ

Property market in Quanzhou

According to the “Opinions on Promoting the Stable and Healthy Development of the Property Market by Fujian Provincial Housing and Urban-Rural Construction Department” (福建省住房和城乡建设廳關於促進房地產市場平穩健康發展的若干意見) (also known as “閩八條”) issued by Fujian Provincial Housing and Urban-Rural Construction Department on 8 August 2014, commercial banks are encouraged to strive to meet with individual’s housing loan amount, and non-local property purchasers can apply for mortgage loans at local commercial banks. The new policy has the effect of stimulating the demand for residential properties in Quanzhou. In addition, relaxation of purchase restriction on residential properties is being promoted within Fujian Province. It should generally be in favour of the demand and transaction volume for residential properties in Fujian Province.

According to “Opinions on Promoting the Stable and Healthy Development of the Property Market” (關於促進房地產市場平穩健康發展的實施意見) issued by the Quanzhou People’s Government on 31 October 2014, the restriction of purchase of properties imposed on non-local property purchasers and organisations was lifted. Evidence on taxation payment and social insurance payment are no longer required when purchasing properties in Quanzhou. Moreover, for those families in Quanzhou who have fully repaid the loans for purchasing their first properties and intend to purchase their second properties for improvement, they can enjoy

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a lower minimum down payment ratio (30%) for purchasing the second properties. The policies will promote the confidence of property purchasers, which in turn should boost up the demand of properties within Quanzhou.

According to “Opinions on Stabilizing Housing Consumption and Supporting Fundamental Housing Demand” (關於穩定住房消費支持剛性住房需求的實施意見) issued by Quanzhou People’s Government on 31 March 2015, several measures have been imposed to boost the fundamental housing demand. These measures include increasing Housing Provident Fund loan allowance for 1st home purchasers such that down payment for 1st home purchasers is reduced from 30% to 20%. The policies should give property buyers more confidence and encourage the growth of the Quanzhou property market.

Investment in the property market in Quanzhou surged by almost five folds at a CAGR of approximately 33.8% from approximately RMB13.5 billion in 2008 to approximately RMB77.6 billion in 2014. In terms of the supply of residential properties in Quanzhou, despite a general rising trend, there were fluctuations throughout the years, and in particular, in 2009 and 2012. The drop of supply in 2009 was an aftereffect of the financial crisis in 2008, whilst the decrease in 2012 was due to the restrictive policies released by the government to suppress the residential price growth. The total GFA of residential properties under construction in 2012 also experienced a decrease in growth as a result. With the lowering of the official borrowing and saving rates in 2012, the demand of residential properties, as reflected by the total GFA of residential properties sold, witnessed a notable increase of approximately 70% in 2013. The demand witnessed a drop of approximately 15% in 2014 as the effects of the lowering of borrowing and saving rates were diluted.

The demand for residential properties was growing at a CAGR of approximately 20.3% during the period between 2008 and 2014, whereas the supply of residential property was growing at a CAGR of approximately 15.5% during the same period. Due to the higher growth in demand of residential properties, the average selling price of residential properties in Quanzhou rose from approximately RMB3,838 per sq.m. in 2008 to approximately RMB6,369 per sq.m. in 2014, representing an overall increase of approximately 65.9%. The average selling price experienced a drop in 2012 due to the effect of the macro policies suppressing the residential price growth. The average selling price bounced back in 2013 and despite a slight

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drop in 2014, the average selling price experienced a growth of approximately 3.4% from 2012 to 2014.

	2008	2009	2010	2011	2012	2013	2014	2008– 2014 CAGR
Real estate investment								
Real estate investment (RMB billion)	13.5	14.7	20.3	27.4	39.6	58.5	77.6	33.8%
Supply of residential properties								
Total GFA of residential properties completed (million sq.m.)	1.91	1.49	3.30	4.53	3.55	4.63	4.54	15.5%
Demand of residential properties								
Total GFA of residential properties sold (million sq.m.)	2.19	3.37	3.96	4.04	4.61	7.84	6.63	20.3%
Total GFA of residential properties under construction (million sq.m.)	N/A	N/A	19.0	25.0	26.0	33.7	38.1	19.0% ^(Note)
Price level of residential properties								
Average selling price of residential properties (RMB per sq.m.)	3,838	4,554	4,919	6,603	6,162	6,598	6,369	8.8%

Notes: N/A means not applicable or not available; CAGR of GFA of residential properties under construction is based on data from 2010 to 2014, data in 2014 comprise of tentative figures from Quanzhou Statistics Handbook and data from CREIS

Sources: Quanzhou Statistical Yearbook, the basic overview of the operation of the real estate market in Quanzhou, CREIS (China Real Estate Index System), Quanzhou Statistics Handbook, DTZ

Development potential of Quanzhou

In recent years, fuelled by the rapid development in Quanzhou and surrounding regions including Shishi, Jinjiang and Huian, Quanzhou Ring-Bay (泉州環灣) and Xiang Bay (向灣) are starting to bear fruitful results. In 2013, new addition of commodity property supply in Quanzhou is mainly concentrated in Jiangnan, Qiaonan, Donghai and Chengdong sections. In addition to urban areas, newly added commodity property supply in regions including Jinjiang and Huian mainly concentrated at the junction of Quanzhou area. Ring-Bay (泉州環灣) and Xiang Bay (向灣) have become clear blueprints for urban development. 2014 represents a year of Quanzhou ring-bay planning and construction. The launch of 440 projects is preliminarily envisaged. Following the imminent completion of the construction of major infrastructure including high-speed rail stations in Huian and a cross-sea bridge in Quanzhou Bay, new stimulus will be added to Quanzhou ring-bay construction and development.

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According to the “Twelfth Five Year Plan” of Huian County, the county’s built area is required to reach 28 sq.km. by 2015, with urbanisation rate of up to 61%. The achievement of the goal of building medium-tier cities and the enhancement of urbanisation rate are set to foster the development of the property market, especially beefing up the demand for the residential market.

Being a key project under the “Medium-to-long-term Railway Network Plan”, Huian West Station is an integral part of Fuzhou-Xiamen Railway. The construction of Huian West Station will offer Huian and surrounding areas access to collection and distribution transportation systems, which will help establish closer connections with Huian regions and other districts, promote the economic and social development of Huian, and accelerate the construction of new city districts in Huian. This will play positive part in flourishing the regional real estate market.

Land prices in Quanzhou

The residential land market in Quanzhou fluctuated significantly from 2008 to 2014. Contrasting to only one case of land transaction in 2008, transaction volume from 2009 to 2011 went up substantially. There was vast residential land supply throughout the country in 2011. Residential land supply in Quanzhou reached 113 transactions during the same year, without big fluctuations in the average accommodation value of the transactions. Due to the implementation of a series of regulation policy on the property market by the country in 2011, the number of land transactions in 2012 decreased sharply, while that in 2013 and 2014 were kept at similar level of the previous years. With respect to accommodation value, except that the average accommodation value reached a relatively higher end of approximately RMB1,414 per sq.m. in 2009 and approximately RMB1,840 per sq.m. in 2014 due to a higher concentration of land supply in key urban area, the average accommodation value remained basically flat during the rest of the years, indicating that the land market in Quanzhou remained relatively stable in terms of price despite greater volatility in transaction volume. Transactions in the residential land market from 2008 to 2014 are set out in the table below:

	2008	2009	2010	2011	2012	2013	2014
No. of land transactions	1	16	91	113	62	57	56
Land transfer price (RMB million)	147	2,548	9,836	15,283	8,455	7,693	11,666
Site area for construction (sq.m.)	32,725	661,749	2,727,745	4,559,484	2,705,674	2,385,427	2,752,949
Planned GFA (sq.m.)	128,872	1,801,528	9,343,346	14,579,072	7,939,119	6,842,191	6,316,459
Average accommodation value (RMB per sq.m.)	1,140	1,414	1,052	1,048	1,052	1,124	1,840
Average premium rate (%)	37.4	58.4	14.9	9.6	2.5	9.0	5.2

Source: CREIS (China Real Estate Index System)

Competitive landscape in the overall residential market in Quanzhou

With increasing competitiveness of Quanzhou city over the years, an ever-growing number of well-respected properties players have established their presence in Quanzhou. Local properties players of Quanzhou have also sustained relatively strong momentum of development.

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Set out below is a table showing the top five rankings of property developers in Quanzhou with reference to their respective sales in 2014.

Rank	Name of property developers	Number of projects	Sales of number of suites	Sales area (sq.m.)	Sales amount (RMB)	% of total sales amount of the Quanzhou market (%)
1	Company A	5	1,146	126,487	1,437,029,300	3.4
2	Company B	1	904	105,697	1,140,419,500	2.7
3	Company C	1	161	54,287	1,061,015,300	2.4
4	Company D	1	524	50,762	496,636,200	1.2
5	Company E	1	155	37,676	488,278,100	1.2

Source: CREIS (China Real Estate Index System)

According to the top 50 ranking in terms of the sales amount in Quanzhou from CREIS, the top 5 developers accounted for 55% of the sales amount among these 50 developers. Also, over half of the top 50 developers are based locally. The property market of Quanzhou has provided an environment which enables local developers to develop and compete with foreign developers. In addition, when compared to the total sales amount of all the developers within Quanzhou, the sum of the sales amount of the top 50 property developers only accounts for 20% of the total sales amount within Quanzhou. It shows that the property market in Quanzhou is fragmented, with no developer (or a few developers) in particular dominating the market.

Set out below is a table showing the top ten rankings of property developers in Quanzhou with reference to their sales areas in 2014 as extracted from the top 50 rankings of property developers in Quanzhou from CREIS.

Rank	Name of property developers	Number of projects	Sales of number of suites	Sales area (sq.m.)	Sales amount (RMB)
1	Company A	5	1,146	126,487	1,437,029,300
2	Company B	1	904	105,697	1,140,419,500
3	Company C	1	161	54,287	1,016,015,300
4	Company D	1	524	50,762	496,636,200
5	Company F	1	406	48,236	367,071,700
6	Company G	2	381	43,490	428,242,900
7	Company H	1	381	42,076	350,545,000
8	Company E	1	155	37,676	488,278,100
9	Company I	1	310	33,861	289,933,000
10	Company J	1	287	26,369	229,243,800

Source: CREIS (China Real Estate Index System)

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Based on the above extract of information from CREIS, the proposed Directors believe that the sales area of the Binjiang International Project in 2014 of 55,830.95 sq.m., shall enable the Target Group to be placed at between 2nd and 3rd in the rank table.

Local developers entered into the market of Quanzhou at an early stage. They have obtained a relatively higher market share in the property market and are able to acquire better-located land lots. Also, their brand names are more widely known. The excellent aspects of their development projects such as higher-quality residences and better residential environment are recognized.

Looking at the Quanzhou market in general, price level is still the most influential factor. It is especially true for individuals with fundamental demand on residential properties. In addition to price level, the quality of the residential properties and the residential environment are becoming increasingly important in the views of buyers when purchasing the properties.

Entry barriers

The entry barriers of the property market in Quanzhou include three aspects: restriction on acquiring land lots, brand reputation and information asymmetry. Firstly, developers that are already in the market have acquired land lots whose locations are relatively better, leaving behind those land lots which are less attractive in terms of their locations. As the best land lots are already taken away, it would be more difficult for new developers to compete in the property market. Secondly, the products and reputation of existing developers have gained a certain level of recognition in the market. Individuals tend to prefer residential projects which are developed by developers they are familiar with. As for new entering developers, they have to endure for a period when their brand names are getting known in the market. Thirdly, every region has its own customs and traditions. In different districts in Quanzhou and its surrounding counties, the target of focus of the residential properties vary and differ from each other. New entering developers would need a relatively longer period to collect relevant information and adapt to different markets.

YANGZHOU

Overview of the city

Yangzhou is a third-tier city located in the central region of Jiangsu Province and on the northern bank of the Yangtze River. The total area of Yangzhou is 6,634 sq.km. The urban area of Yangzhou is approximately 2,000 sq.km. It is one of the metropolitan cities in Nanjing and is one of the Yangtze River Delta cities. It borders Taizhou and Zhenjiang, and is adjacent to Shanghai. Yangzhou has a pleasant environment with beautiful scenery. With the living standard continuing to improve, the disposable income per capita reached RMB33,605 in 2014.

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Overview of economic development of Yangzhou

During the period of 2008–2014, the economy of Yangzhou went well. The regional GDP continued to increase and the annual growth rates maintained at double-digit. In 2014, the regional GDP of Yangzhou reached approximately RMB370 billion as compared to approximately RMB157 billion in 2008, showing a CAGR of approximately 15.4%. The economic indicators are as follows:

	2008	2009	2010	2011	2012	2013	2014	2008– 2014 CAGR
Regional GDP (RMB billion)	157	186	221	263	293	325	370	15.4%
Regional GDP per capita (RMB)	35,233	41,406	48,955	58,950	65,692	72,774	82,654	15.3%
Urban disposable income per capita (RMB)	17,398	19,416	21,766	24,780	28,001	30,690	33,605	11.6%
Regional population (million)	4.60	4.59	4.59	4.60	4.58	4.60	4.61	0.0%
Fixed asset investment (RMB billion)	95	106	133	148	178	203	242	16.9%

Sources: Statistical Bulletin of National Economics and Social Development of Yangzhou, DTZ

According to the “Twelfth Five-Year Plan for National Economic and Social Development of Yangzhou” (揚州市國民經濟和社會發展第十二個五年規劃綱要), Yangzhou will be in the phase of enhancement of living standards during the period of the Twelfth Five-Year Plan. It is expected that by 2015, the regional GDP of the city is expected to reach approximately RMB450 billion with an average annual growth of 12%; the regional GDP per capita will reach approximately RMB100,000; and the total fixed asset investment will reach over RMB300 billion with an average annual growth of 20%.

Property market in Yangzhou

As an important hub city in the Yangtze River Delta region, Yangzhou’s real estate development is facing new opportunities. Due to the rapid economic development, disposable income per capita continued to rise. The demand for as well as desire to invest in residences gradually rose, forming a strong demand for residences. In addition, with the regional economic development, infrastructure continued to be improved. Transportation projects including high-speed railway, intercity railway, light railway and regional high-speed network have been launched successively. In particular, the construction plan of the Yangzhou subway line nos. 1 and 2 were completed in June 2014. It is expected that the construction of the Yangzhou subway line nos. 1 and 2 will commence in the 2nd quarter of 2016. Meanwhile, the high-speed railway will be in service in 2016, along with those in other cities such as Taizhou and Nantong. As a result, the temporal and spatial distance between cities within the region will be greatly reduced, which will be a catalytic effect in the functional integration and resources sharing among the cities.

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Since 2011, Jiangsu Provincial Government announced the "Notice on Related Issues of Improving Regulation of the Property Market by the State Council General Office and carried through by the Provincial Government Office" (省政府辦公廳貫徹國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) and requested the cities within Jiangsu Province to enforce sales restriction if the local market was over heated. Nanjing imposed the sales restriction whereas Yangzhou had not. However, the overall residential investment atmosphere was cooled down afterward. According to "Notice on Maintaining the Healthy Development of the Property Market of the City" (關於保持我市房地產市場健康發展的通知) issued on 20 September 2014 by the Nanjing local government, the restriction on purchase of residential properties in Nanjing has been fully removed. The impact of this relaxation has yet to study but it will favour the overall residential property market atmosphere, including the demand and transaction volume, in Jiangsu Province.

According to "Notice on the Adjustment of the Down Payment Ratio of the Housing Provident Fund Loans of the City" (關於調整我市住房公積金貸款首付比例的通知) released by Yangzhou Housing Provident Fund Management Centre (揚州市住房公積金管理中心) on 22 April 2015, down payment for 1st home purchasers would be reduced from 30% to 20%. The policy should encourage demand for 1st home purchasers of residential properties in Yangzhou.

The real estate investment in Yangzhou increased from approximately RMB13.8 billion in 2008 to approximately RMB36.0 billion in 2014, representing a CAGR of approximately 17.3%. The total GFA of residential properties under construction experienced a notable increase of approximately 22.9% between 2012 and 2013. The supply of residential properties, as reflected by the GFA of residential properties completed, grew at a CAGR of approximately 2.3% between 2008 and 2014.

As a result of the release of "Notice on Related Issues on Improving Regulation of the Property Market by the State Council General Office and carried through by the Provincial Government Office" (省政府辦公廳貫徹國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) which aimed to slow down the growth of the residential property market, the demand of residential properties in Yangzhou as represented by the total GFA of residential properties sold witnessed a drop in 2011. As the effect of the policy diluted, the demand regained a rising momentum in 2012 and 2013, with increases of approximately 5.7% and 19.9% respectively. Throughout the most of 2014, the demand was under the effects of regulatory policies announced in 2013 which continued to suppress the prices in the property market. Although the People's Bank of China and China Banking Regulatory Commission subsequently announced in September 2014 to relax mortgage financing, the overall demand in Yangzhou in 2014 still witnessed a year-over-year drop of approximately 11.5%.

The demand for residential properties in Yangzhou between 2008 and 2014 increased at a CAGR of approximately 12.1%, which is growing faster than the supply of residential properties during the same period. As a result, the average selling price of residential properties in Yangzhou rose from approximately RMB3,447 per sq.m. in 2008 to approximately RMB6,472 per sq.m. in 2014, representing an overall increase of approximately 87.8% during the period. From 2012 to 2014, the average selling price had experienced only a slight increase in growth, as the effect of the macro policies in 2011 suppressing the residential price growth became apparent.

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	2008	2009	2010	2011	2012	2013	2014	2008– 2014 CAGR
Real estate investment								
Real estate investment (RMB billion)	13.8	13.0	16.5	19.9	23.6	31.6	36.0	17.3%
Supply of residential properties								
Total GFA of residential properties completed (million sq.m.)	4.20	4.34	3.72	3.67	4.40	4.75	4.81	2.3%
Demand of residential properties								
Total GFA of residential properties sold (million sq.m.)	2.88	4.67	5.82	5.08	5.37	6.44	5.70	12.1%
Total GFA of residential properties under construction (million sq.m.)	10.0	10.6	11.3	13.1	14.0	17.2	19.9	12.2%
Price level of residential properties								
Average selling price of residential properties (RMB per sq.m.)	3,447	4,254	4,682	6,007	6,025	6,190	6,472	11.1%

Sources: Statistical Bulletin of National Economics and Social Development of Yangzhou, CREIS (China Real Estate Index System), DTZ

Development potential of Yangzhou

According to “Master Plan of Yangzhou City (2010–2020) (揚州市城市總體規劃(2010–2020))” issued by Yangzhou Planning Bureau, the future planning of Yangzhou will follow the strategy of “Connecting the East, Optimising the West, Extending the South”, the details are as follows:

- Connecting the East: Strengthening transportation docking, enhancing comprehensive service capabilities, and promoting the urban spatial and functional integration of Yangzhou and Jiangdu.
- Optimizing the West: Optimising the land use functions, improving public services and ancillary facilities, and promoting the balance between residence and employment.
- Extending the South: Optimising and improving the functions of various industries, increasing the intensity of land development and strengthening the interactive development between the city and the industries.

In the future, the southern region, where the Cullinan Bay Project is located in, will be developed in terms of: optimizing various functions of industries, increasing the intensity of land development, and strengthening the interactive development between the city and industries.

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According to the Plan, the advantages in infrastructure and land resources will be utilised comprehensively. The constructions in the industrial development zone in the southern region and the South Park of Hanjiang Development Area will be intensified. The categories of industries in the southern region of the city will be optimised to become a clustered area for new and high-tech industries and an important logistics base. In addition, residential ancillary facilities such as high-class clubhouse, heated swimming pool, car parking lots and technological facility etc are being constructed. The production and living standard in the area along the Yangtze River will be improved. The layout of urban land use will be optimised and interaction between the city and industries will be developed.

The southern part of Yangzhou where The Cullinan Bay Project is located in will rely on new and high-tech industries and logistics, as well as pushing forward the import of industrial population and related ancillary construction. It will emerge as a new hot zone for real estate development in Yangzhou. With the supportive development plan formulated by the local government, this zone is a hot spot in the future development. Along with the launch of a number of property development projects whose selling performance is particularly of note, a much-needed boost has been given to the overall environment and supporting facilities, garnering increasing awareness and obtaining exceptional widespread recognition for the development prospects of the zone.

The robust demand for home purchases explores a broader prospect: The food technology zone (食品科技園) of the project offers a vast flurry of job opportunities. Thanks to the further improvement of transportation facilities, there is ever-rising connectivity between Chengnan zone (城南板塊), one of the five zones in Yangzhou, and urban zone. Thus, families of expatriate technicians have much greater chance of settling down in Chengnan zone.

Land prices in Yangzhou

During the period from 2008 to 2014, the land supply in Yangzhou maintained a steady growth, yet the trend of the total transaction price showed fluctuation.

According to the information from China Real Estate Index System on the land transaction market of Yangzhou from 2008 to 2014, the average accommodation value increased from approximately RMB733 per sq.m. in 2008 to approximately RMB2,078 per sq.m. in 2013 as a result of the overall development of the property market and the strong desire of developers of acquiring the land. Under the influence of the macro-economic policy, the sales amounts of residential properties were seen to be even lower than the purchasing price of the land. Thus the profitability of the residential properties was limited, which caused uncertainty in investing into the property market. In 2014, a higher concentration of land supply in suburban area led to a decrease in the average accommodation value. In the future,

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due to the uncertainty of the short-term market, the price of residential land supply will not be expected to have large fluctuation.

	2008	2009	2010	2011	2012	2013	2014
No. of land transactions	36	63	54	49	64	59	46
Land transfer price (RMB million)	2,960	6,946	11,577	10,692	9,982	12,706	7,600
Site area for construction (sq.m.)	2,034,086	2,850,471	3,849,688	2,619,328	2,887,252	2,964,672	2,957,286
Planned GFA (sq.m.)	4,315,144	5,302,478	5,821,166	5,090,552	5,443,355	6,088,314	6,502,116
Average accommodation value (RMB per sq.m.)	733	1,310	1,988	2,100	1,795	2,078	1,168
Average premium rate (%)	14.2	32.7	34.4	37.0	7.7	17.4	3.5

Source: CREIS (China Real Estate Index System)

Competitive landscape in the overall residential market in Yangzhou

In recent years, with the speedy development of Yangzhou and the outward shift of the center of the city, the residential market throughout the city is also booming swiftly. In 2011, given that multiple rounds of macro-control policies on the residential real estate were put in place in major cities across the country by the State, the demand from developers and home buyers was reined-in. Recently, along with the gradual release of the purchase limitation around the country, the overall residential real estate market remains on the track of steady performance.

Currently, Yangzhou's residential market is mainly divided into five zones, namely Chengbei zone (城北板塊), Chengdong zone (城東板塊), Laocheng zone (老城區板塊), Chengnan zone (城南板塊) and Chengxi zone (城西板塊). A number of local developers in Yangzhou have established firmer presence in Yangzhou.

Set out below is a table showing the top five rankings of property developers with reference to their respective sales in 2014.

Rank	Name of property developers	Number of projects	Sales of number of suites	Sales area (sq.m.)	Sales amount (RMB)	% of total sales amount of the Yangzhou market
1	Company K	3	753	80,457	748,230,900	1.3
2	Company L	2	798	81,242	620,366,900	0.9
3	Company M	1	515	58,286	522,646,000	0.8
4	Company N	1	668	66,107	483,075,100	0.7
5	Company O	1	414	43,625	457,254,800	0.5

Sources: CREIS (China Real Estate Index System), DTZ

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According to the top 50 ranking in terms of the sales amount in Yangzhou from CREIS, the top 5 developers accounted for 34% of the sales amount among those 50 developers. Also over half of the top 50 developers are based locally. The property market of Yangzhou has provided an environment for local developers to develop and compete with foreign developers. In addition, when compared to the total sales amount of all the developers within Yangzhou, the sum of the sales amount of the top 50 property developers accounted for approximately 23% of the total sales amount within Yangzhou, showing that the property market in Yangzhou is fragmented, with no developer (or a few developers) in particular dominating the market.

The market position of the Target Group's property development project in Yangzhou, The Cullinan Bay Project, is high-end residential property coupled with an array of top-notch clubhouse facilities. It is adjacent to a large-sized complex of a food science and technology park with an area of 200,000 sq.m., comprising sizeable commercial space, a five-star hotel and Grade A office space. Involving a total investment of RMB1,178 million, the technology park is divided into five centers: technology and research and development center, inspection and detection center, display and exhibition center, conference and training center and investment services center. According to the information provided in its official website, the technology park is expected to be fully completed in 2016. The food science and technology park is seen to be a good ancillary facility for the Cullinan Bay Project. In the future, it can provide residents of The Cullinan Bay Project with various living and catering needs, causing the price of The Cullinan Bay Project to rise. Also, the people working in the offices within the park may choose to reside in The Cullinan Bay Project, thus further driving up the residential demand of the Project.

Entry barriers

The entry barriers of the real estate market in Yangzhou include two major aspects: brand reputation and land resources. Firstly, domestic and local well-known developers in Yangzhou have built up their brand reputation, which would have positive influence on the preference of property buyers, and make it more difficult for new developers to enter into the market. Meanwhile, buyers generally assess a developer in terms of the prices, quality and locations of the real estate projects they have developed. In terms of land resources, developers who have long based their business in Yangzhou have gained more information and understanding of the land market in Yangzhou compared to newly-entered developers. As a result, they would have advantages in the acquisition of land over new developers.

OUTLOOK

PRC

From 2008 to 2014, the China GDP witnessed an upward trend. It is expected that the trend will continue and the fundamental demand in the property market will benefit from the expanding economy in the future.

As mentioned in the paragraph headed "Overview of the PRC Property Market" above, various policies have been announced in September 2014 and March 2015 to stimulate the investment demand of the property market. The property market has experienced a rebound in the first half of 2015. According to the data from National Bureau of Statistics of China, in the

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first half of 2015, the demand of residential properties, represented by the GFA of residential properties sold, was approximately 443,893,800 sq.m. representing a year-over-year increase of approximately 4.5% compared to the first half of 2014.

Quanzhou and Yangzhou

From 2008 to 2014, the regional GDPs of Quanzhou and Yangzhou both witnessed a steady growth, which are in line with the overall China economy. It is expected that the regional GDPs will continue to be expanding and the fundamental demand for residential properties in Quanzhou and Yangzhou will be supported.

In Quanzhou, the "Opinions on Stabilizing Housing Consumption and Supporting Fundamental Housing Demand" (關於穩定住房消費支持剛性住房需求的實施意見) issued on 31 March 2015, which announced the increase of Housing Provident Fund loan allowance for 1st home purchasers, will support the fundamental demand for residential properties. According to CREIS, the average selling price of residential properties in Quanzhou in the first half of 2015 was RMB6,661 per sq.m., representing an increase of approximately 10% as compared to the second half of 2014 despite a decrease of residential GFA sold in the first half of 2015. With the supportive policies above, it is expected that the price level of the residential property market in Quanzhou will be relatively stable.

In Yangzhou, as a result of the release of the national policies imposed in September 2014 and March 2015, together with "Notice on the Adjustment of the Down Payment Ratio of the Housing Provident Fund Loans of the City" (關於調整我市住房公積金貸款首付比例的通知) issued by Yangzhou Housing Provident Fund Management Centre in April 2015 which announced the increase of Housing Provident Fund loan allowance for 1st home purchasers, the fundamental demand of the residential properties in Yangzhou will be supported. According to CREIS, the GFA of residential properties sold in Yangzhou in the first half of 2015 reached approximately 2,963,600 sq.m., representing an increase of approximately 15% as compared to the first half of 2014, despite a slight price adjustment in 2015 Q1 due to seasonal impact and bounce back in 2015 Q2. With the supportive policies above, it is anticipated that the demand and price for residential properties in Yangzhou will be stable.

With the further downward adjustment of the official borrowing and saving rates, lowering of the down payment for 2nd home purchasers borrowing from Housing Provident Fund loan, together with the loosening of restrictions on foreign investment announced in August 2015, the demand and average price level for residential properties in Quanzhou and Yangzhou will be sustainable.