

INDUSTRY OVERVIEW

DTZ was commissioned by the REIT Manager to prepare a report on the Grade A and Premium Grade office property market in Beijing, the PRC and the following is primarily based on DTZ's report.

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PRC Economic Overview

China's economy has grown rapidly since the beginning of reforms towards a market-oriented economy in 1978. China became the second largest economy in the world in terms of GDP measured at real exchange rates in 2012. With a real GDP growth rate of 7.8% in 2012, the Chinese economy remained among the fastest growing economies in the world. The PRC Government is targeting an annual real GDP growth of approximately 7.0% for the 12th five year plan period (2011 to 2015).

Key Economic Indicators for China

	2007	2008	2009	2010	2011	2012
Nominal GDP						
(RMB billion)	26,642.2	31,603.0	34,032.0	39,760.0	47,211.5	51,932.2
Real GDP Growth						
Rate (%)	14.2	9.6	9.2	10.4	9.3	7.8
Per Capita GDP (RMB) ...	20,169.0	23,708.0	25,608.0	30,015.0	35,181.0	38,420.0
Fixed Asset Investment						
(FAI)						
(RMB billion)	13,732.4	17,282.8	22,459.9	27,812.2	31,148.5	37,467.6
Foreign Direct						
Investment—Actual						
Utilized						
(USD 100 billion)	74.8	92.4	90.0	105.7	116.0	111.7

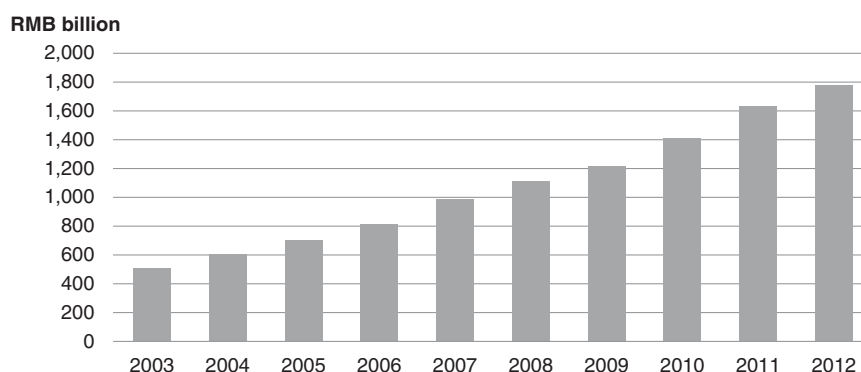
Source: National Bureau of Statistics of China

Beijing Economic Overview

Beijing is located in the North China Plain and has a permanent population of 20.7 million as of 2012. As the capital city of China, Beijing takes on the role within the country as the center of politics, culture, education and international affairs. Moreover, it is the management and decision-making center of China's economy, with a high concentration of government institutions. Because of its unique advantage as the capital city, Beijing has attracted both domestic companies and multi-national corporations to locate their headquarters in Beijing. In particular, according to U.S. Fortune Magazine, a total of 44 Fortune 500 companies were headquartered in Beijing by the end of 2012, the second highest number of all cities in the world.

INDUSTRY OVERVIEW

Beijing Annual Nominal GDP from 2003 to 2012



Source: Beijing Municipal Statistics Bureau, March 2013

Beijing's economy has grown rapidly from 2003 to 2012, with its nominal GDP experiencing an average annual growth rate of approximately 15.2% during that period. In 2012, Beijing's nominal GDP reached RMB1,781.9 billion, which is the second highest nominal GDP in China, after Shanghai.

DTZ expects that Beijing's economy will continue to remain strong under the steady growth measures released by the PRC Government. According to the Beijing City Master Plan (2004-2020), the Beijing Municipal Government planned to transform Beijing into an international metropolis and to further expand the city's economic catchment. Beijing's per capita GDP is targeted to reach US\$10,000 by 2020, of which the tertiary sector is targeted to contribute more than 70%. In particular, Chaoyang district, where the Property is located, is within the urban core area and is positioned as the standard bearer of Beijing's image as a political, cultural, media and commercial center according to DTZ.

Beijing has undergone a rapid development phase in the past eight years. The city's urbanization rate has been over 80.0% since 2005, and reached 86.2% in 2012, which is as high as that of developed countries. DTZ expects that the urbanization rate will reach 89% by 2020. Rapid urbanization has led to a continuing demand for urban housing and other real estate products, as well as enhancing the economic structure of the city.

Beijing's Infrastructure Development

Beijing enjoys a comprehensive transportation network, which includes highways, railways, subways and an international and domestic airport. Beijing's highways had an aggregate length of 21,454 k.m. in 2012, of which approximately 923 k.m. were intercity expressways linking Beijing with cities such as Tianjin, Shenyang, Harbin, Shanghai, Chengde, Baotou and Shijiazhuang. Beijing is also one of the largest railway hubs in northern China. There are nonstop trains between Beijing and most large-sized and medium-sized cities in northern China. The commencement of the operations of Beijing-Shanghai and Beijing-Guangzhou high-speed railways in 2011 and 2012, respectively has significantly shortened the travel time between Beijing and Shanghai and Beijing and Guangzhou.

In addition to the highway and railway networks, Beijing also has a well-developed subway network. As the first city to construct a subway system in China, Beijing's subway system has experienced rapid development in recent years. Beijing's subway system expanded to 17 lines with a total operation length of 481.5 k.m. in 2012 from eight lines with a total operation length of 200 k.m. in 2008. Beijing plans to further increase the subway operation length to 561.5 k.m. by 2015 and to over 1,000 k.m. by 2020.

INDUSTRY OVERVIEW

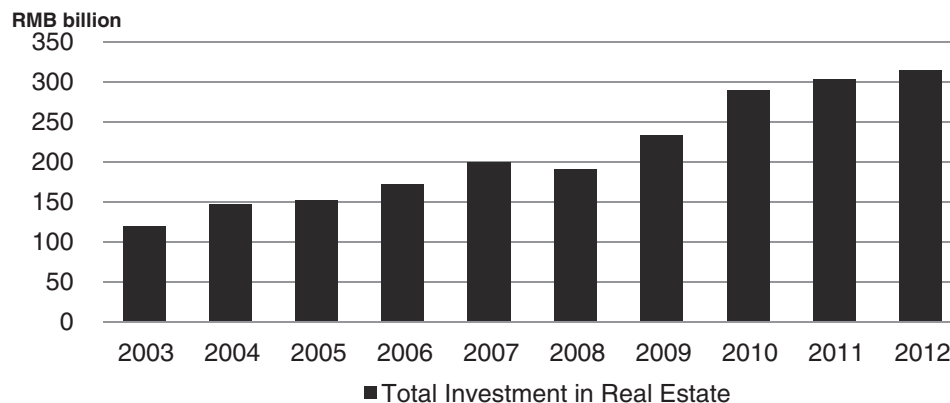
Beijing Capital International Airport is the largest and busiest international aviation hub in China. It has three terminals and its annual passenger throughput reached 75.4 million by the end of November 2012, which was ranked second highest in the world, according to Airports Council International. Moreover, the construction of a second capital international airport, which will be located in Lixian Town in Daxing District, south of Beijing city, has been approved by the State Council. DTZ believes that the operation of the two airports will help to make Beijing more competitive as an international metropolis.

Beijing Real Estate Market

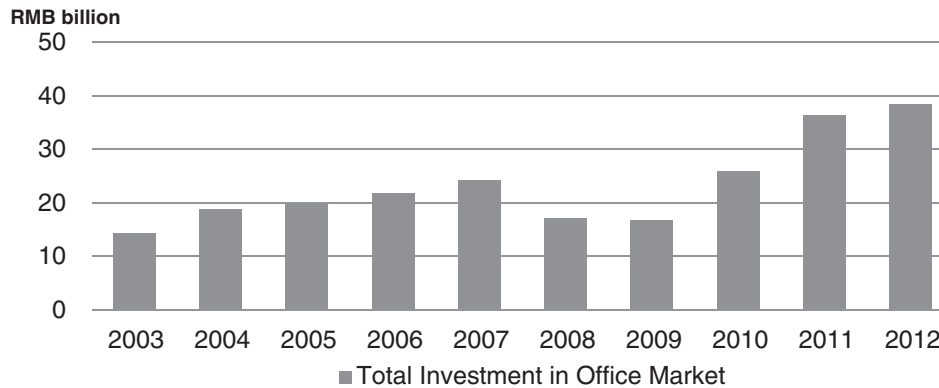
An increase in disposable income per capita, high growth in urbanization rates and rapid infrastructure development in Beijing have facilitated the growth of Beijing's real estate market. From 2003 to 2012, real estate development investment in Beijing increased from approximately RMB120.3 billion in 2003 to approximately RMB315.3 billion in 2012, representing a CAGR of approximately 11.3%.

Beijing's real estate market has maintained a general growing trend since 2009 after the global financial crisis. However, starting in 2010, the PRC Government implemented restrictive policy measures aiming to avoid an asset bubble developing in the PRC, especially in the residential sector. In response, investments in the residential sector decreased, while real estate investment in the office sector remained strong and reached RMB38.5 billion in 2012, representing a year-on-year 5.8% growth from 2011. According to DTZ, this is partly due to investors diversifying their portfolios from the residential sector, which has been heavily regulated by the PRC Government, to other real estate sectors, as well as the limited new supply of offices in Beijing since 2010.

Beijing Real Estate Investment between 2003 and 2012



INDUSTRY OVERVIEW



Source: Beijing Municipal Statistics Bureau, March 2013

Beijing Grade A Office Market

Overview

Along with the growth of the urban population, Beijing has enjoyed a rapid growth in working population, which reached approximately 10.7 million in 2011, and a steady growth in disposable income per capita. The increasing working population and the rapidly developing tertiary industry in recent years have primarily driven the demand for office property in Beijing.

Location Distribution of Major Business Districts in Beijing



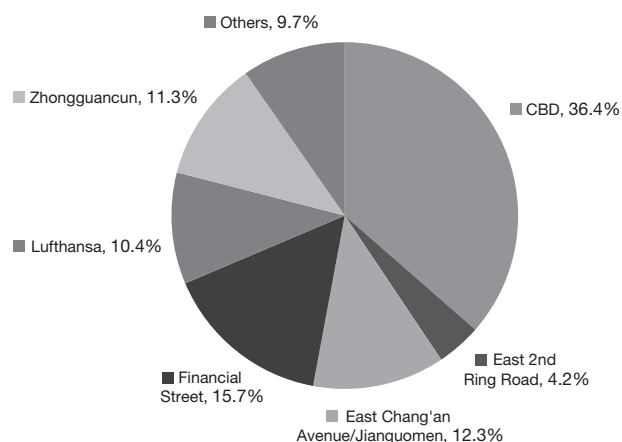
Data Source: DTZ Consulting, March 2013

After almost 30 years of development, there are six core business districts in Beijing's Grade A office market, namely the CBD, East Second Ring Road, East Chang'an Avenue/Jianguomen, Financial Street, Lufthansa, and Zhongguancun districts. In addition, Wangjing is also emerging as a new business district with Grade A office developments.

INDUSTRY OVERVIEW

Supply, Demand and Rent

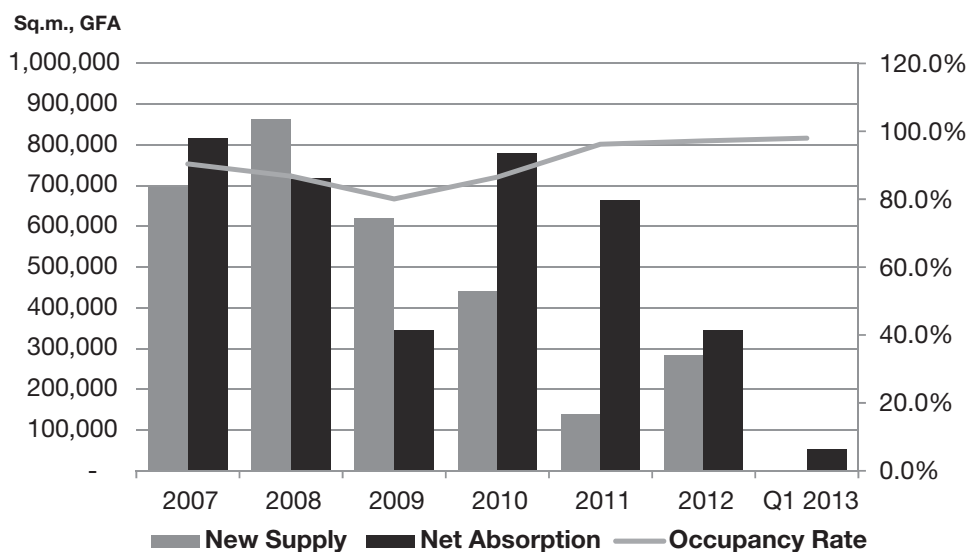
Grade A Office Stock by Major Business Districts in Beijing



Data Source: DTZ Consulting, March 2013

The Grade A office stock in Beijing increased from 5.4 million sq.m. in 2007 to 6.7 million sq.m. in the first quarter of 2013. By district, the CBD has the highest number of high-end office properties, followed by Financial Street, accounting for 36.4% and 15.7%, respectively, of overall stock as of the first quarter of 2013.

Supply, Demand and Occupancy of Grade A Office in Beijing



Data Source: DTZ Consulting, March 2013

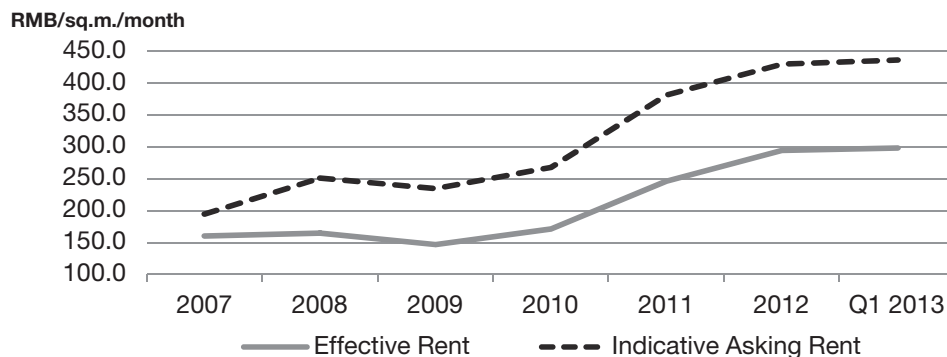
A large supply of new Grade A office buildings emerged in the Beijing market in 2007 and 2008, with an average annual supply of approximately 780,000 sq.m. The large supply was supported by a strong demand from multi-national corporations and domestic companies for good quality office buildings. However as the result of the global economic crisis in 2008 and 2009, there was a sharp decrease in the supply of Grade A office in Beijing since 2009.

INDUSTRY OVERVIEW

Beijing's economy rebounded quickly and Beijing Grade A office market experienced strong demand from 2010 due to the limited supply in key business districts. The average occupancy rate for Grade A office space in Beijing was 98.0% in the first quarter of 2013.

There is a general upward trend in the rent of Grade A office in Beijing, except the fall in 2009 amidst the global financial crisis. According to DTZ, the effective rent of Beijing Grade A offices increased substantially from 2009 to 2012 and reached RMB294.5 per sq.m. per month in 2012, which was supported by the improving economy and limited supply for Grade A office space over the past few years. This increasing trend continued into the first quarter of 2013. Monthly effective rent per sq.m. of Beijing's Grade A offices was RMB298.2 in the first quarter of 2013. Financial Street and the CBD command the highest Grade A office rental levels in Beijing. The effective rent in the CBD reached RMB333.3 per sq.m. per month by the end of the first quarter of 2013.

Beijing Grade A Office Rent



Data Source: DTZ Consulting, March 2013

Supply and Rental Forecast

According to DTZ, future Grade A office supply in Beijing is expected to be approximately 1.1 million sq.m. in total between 2013 and 2016 with an average annual supply of approximately 275,183 sq.m., which is only 54.3% of the average annual supply during the period from 2007 to 2012. Therefore, DTZ expects that the shortage in Grade A office supply will continue in Beijing in the next few years. Considering the limited supply and the growing strong demand for Grade A office space, DTZ expects that the occupancy rate of the Grade A office in the six core business districts will remain at approximately 95% by 2016.

INDUSTRY OVERVIEW

Future Grade A Office Supply in Beijing

Project Name ⁽¹⁾	District	Completion Year ⁽²⁾	Approximate GFA available for lease ⁽³⁾ (sq.m.)
World Profit Centre	Lufthansa	2013	48,957
Fortune Capital International Centre	Financial Street	2013	37,557
Fortune Financial Centre	CBD	2013	150,000
Ocean International Center II	CBD	2013	49,633
Sub-total			286,147
Raycom Info. Tech Park B	Zhongguancun	2014	58,000
Sub-total			58,000
Financial Street E6 Plot	Financial Street	2015	52,740
Guoson Centre	East 2nd Ring Road	2015	134,000
Beijing POSCO Centre	Others	2015	77,000
LSH Plaza II	Others	2015	68,000
World Profit Centre II	Lufthansa	2015	51,000
Emperor Chang'an Avenue Project	East Chang'an Avenue	2015	50,000
Aether Square	CBD	2015	103,846
Sub-total			536,586
Air China Plaza II	Lufthansa	2016	80,000
Huadu Hotel Redevelopment	Lufthansa	2016	80,000
One Indigo 2	Others	2016	60,000
Sub-total			220,000
Total			1,100,733

Notes:

- (1) Does not include those projects with self-occupation area greater than 50% of the project's total office GFA.
- (2) Completion Year refers to the year when construction of a building is completed and ready for occupation.
- (3) Estimated GFA available for lease after deducting self-occupied GFA, where applicable.

Data Source: DTZ Consulting, March 2013

Beijing Grade A office rental levels experienced an average annual rental growth of 14.4% in the past five years from 2008 to 2012. DTZ anticipates that the supply of office market in Beijing will remain tight until at least 2017 given that there is limited new supply in the coming few years, and that this scarcity of quality office buildings will further increase rental levels, especially in prime business districts such as the CBD and Financial Street.

DTZ estimates that Beijing Grade A office rental levels will continue to grow by 5.0%, 8.0%, 5.0% and 5.0% in 2013, 2014, 2015 and 2016, respectively. Therefore, DTZ anticipates that the monthly effective rent per sq.m. of Beijing Grade A offices will reach RMB309.2, RMB334.0, RMB350.7 and RMB368.2 in 2013, 2014, 2015 and 2016, respectively.

INDUSTRY OVERVIEW

Beijing Grade A Office Rent Forecast

	2013F	2014F	2015F	2016F
Effective Rent (RMB/sq.m./month)	309.2	334.0	350.7	368.2
Indicative Transacted Rent (RMB/sq.m./month)	337.1	364.0	382.2	401.3
Annual Growth Rate (%)	5.0	8.0	5.0	5.0

Data Source: DTZ Consulting, March 2013

Grade A Office in the CBD Submarket

Overview

As one of the six core business districts in Beijing, the CBD has developed a mature business function and environment over the past 10 years and it is still at an expansion and development stage. The CBD is the mainstay of the international finance industry, cultural media industry and modern business service industry in Beijing. The CBD is traditionally a hub for international business and activities. By the end of 2011, the CBD was home to 160 Fortune 500 companies, 252 international financial institutions, 50 international headquarters and 200 international business service companies. In addition, approximately 50% of Beijing's Grade A offices and hotels are located in the CBD.

The majority of Grade A offices are located along East Third Ring Road and Jianguo Road. The concentration of office buildings along these roads has resulted in heavy traffic congestion around Guomao Bridge and Guanghua Bridge. China Central Place is located in the eastern corner of the traditional CBD and as such, enjoys better traffic conditions.

On May 25, 2009, the Beijing CBD Committee announced the East Expansion Plan for the CBD district. According to this plan, the east boundary of the CBD will be expanded to the East Fourth Ring Road, and the total site area of the CBD will be increased from 3.99 sq.km. to 6.99 sq.km. over the next 10 years. Based on the East Expansion Plan, China Central Place is located at the border between the existing and expanded CBD.

CBD Submarket Expansion Plan



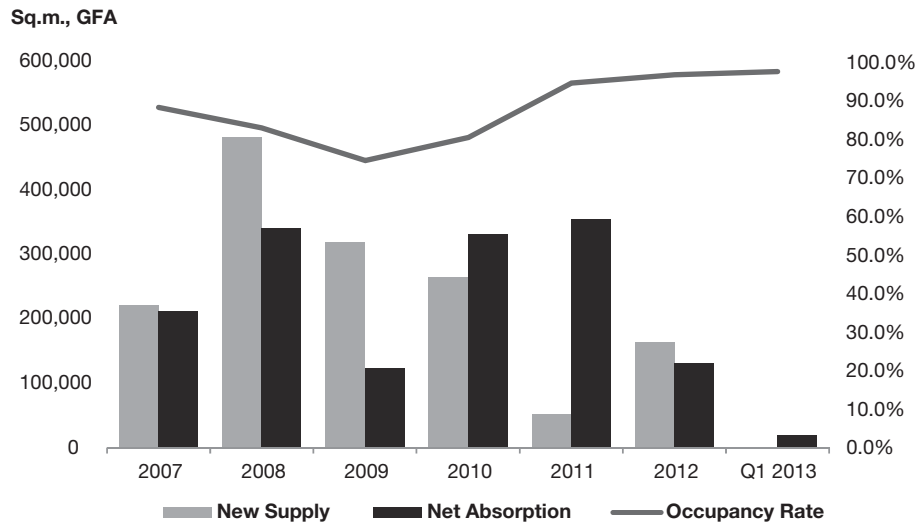
Data Source: DTZ Consulting

INDUSTRY OVERVIEW

Supply, Demand and Rent

The new supply of Grade A office buildings in the CBD submarket is relatively small in comparison with its total stock over the past six years due to land scarcity. No new supply entered the market in the first quarter of 2013. The stock of Grade A office in the CBD submarket exceeded 2.4 million sq.m. by the end of the first quarter of 2013, representing 36.4% of Beijing's total Grade A office stock.

Supply, Demand and Occupancy of Grade A Office in the CBD Submarket



Data Source: DTZ Consulting, March 2013

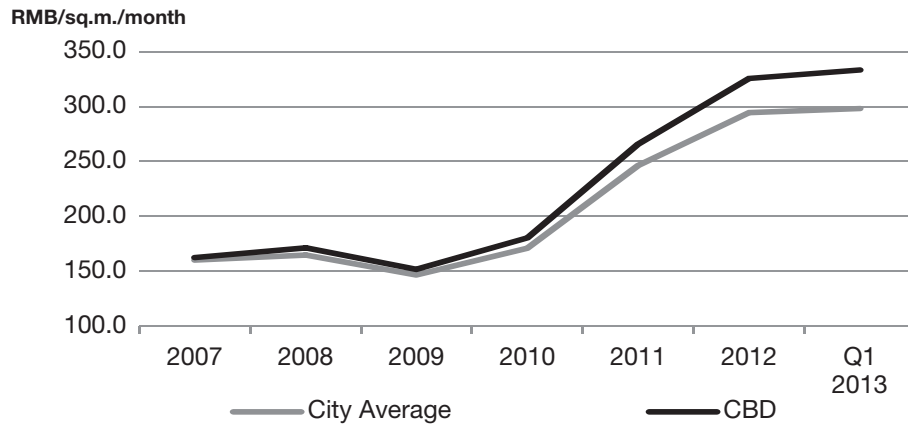
Total net absorption from 2007 to the first quarter of 2013 was 1,514,686 sq.m., which exceeded the total new supply in the same period of 1,505,442 sq.m., reflecting a healthy demand and supply situation. After years of development, the CBD has become one of the most popular business districts in Beijing and attracts many multinational corporations. As of the first quarter of 2013, the occupancy rate was 97.3%.

Office rental levels in the CBD continued to be higher than the citywide average. By the end of the first quarter of 2013, the effective rent of Grade A offices in the CBD was RMB333.3 per sq.m. per month, which is 11.7% higher than that of the citywide average.

INDUSTRY OVERVIEW

The strong demand for Grade A office and general shortage of new supply in other business districts have driven up the rental levels in the CBD submarket in the past few years.

Grade A Office Rental, CBD Submarket



Data Source: DTZ Consulting, March 2013

Supply and Rental Forecast

DTZ expects that there will be a limited supply of Grade A office buildings in the CBD submarket from 2013 to 2016 and that there will be no supply of Premium Grade offices in this submarket in the next two years, given that potentially qualifying office buildings will not be regarded as Premium Grade in the market until they have established themselves for at least one to two years after completion. The new Zhongfu Parcel is the last remaining plot for new office property development in the CBD. Given the relatively slow pace of the construction progress at this plot, DTZ expects the majority of the new supply from this area will enter into the market from late 2017. Given the limited supply in the CBD submarket and its leading position in office take-up, DTZ estimates the occupancy rate in the CBD submarket will remain high at around 97% from 2013 to 2016.

Future Supply of Grade A Office Buildings in the CBD Submarket

<u>Project Name</u>	<u>District</u>	<u>Completion Year</u>	<u>Estimated Available GFA for Lease (sq.m.)</u>
Fortune Financial Centre	CBD	2013	150,000
Ocean International Center II	CBD	2013	49,633
Aether Square	CBD	2015	103,846
Total			303,479

Data Source: DTZ Consulting, March 2013

Taking into consideration the future supply, future market conditions, domestic and global economic movements, inflation rates and other influential factors, DTZ expects that the monthly effective rent per sq.m. in the CBD submarket will reach RMB341.8, RMB372.5, RMB391.2 and RMB410.7 in 2013, 2014, 2015 and 2016 respectively.

INDUSTRY OVERVIEW

Rental Forecast of Grade A Office Buildings in the CBD Submarket

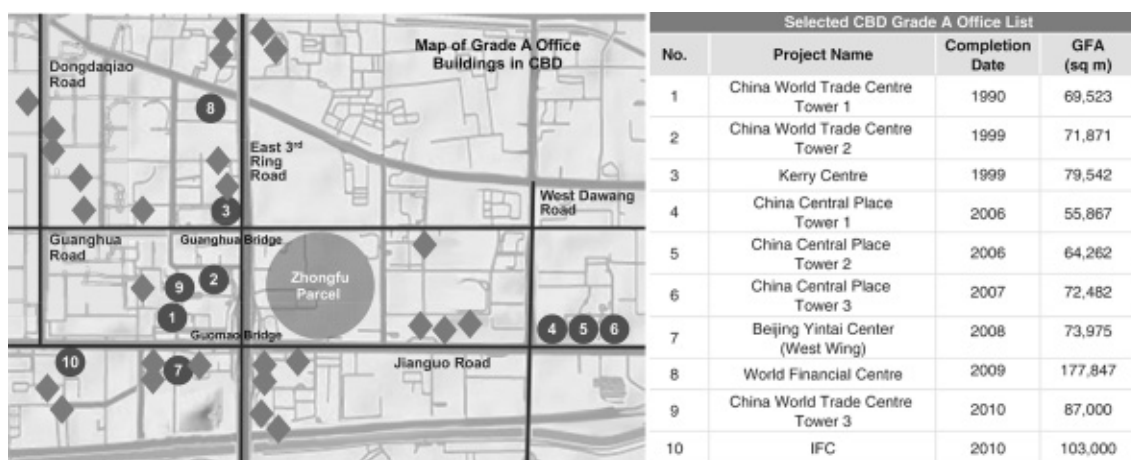
	2013F	2014F	2015F	2016F
Effective Rent (RMB/sq.m./month)	341.8	372.5	391.2	410.7
Indicative Transacted Rent (RMB/sq.m./month)	372.5	406.1	426.4	447.7
Annual Growth Rate (%)	5.0	9.0	5.0	5.0

Data Source: DTZ Consulting, March 2013

Premium Grade Offices

Among the Grade A office buildings in Beijing, there are only 13 office buildings (with a total GFA of approximately 1.0 million sq.m.) which could be classified as Premium Grade according to DTZ's definition, of which 10 office buildings (with a total GFA of approximately 855,349 sq.m.), including the Property, are located in the CBD. The other Premium Grade office buildings are located in Financial Street (3 Winland International Financial Centre and Excel Plaza) and Zhongguancun (Raycom Infotech Park C). A Premium Grade office building is distinguished from a general Grade A office building by a number of features, most importantly those relating to location, the supply of car parking spaces, building quality and standard of finish, provision and service of elevators and single ownership and lease only. In addition, it is expected that these existing Premium Grade office buildings will remain popular in the market in the coming few years due to the scarcity of such office building types. According to DTZ, the Property is commonly believed to be one of the top five Premium Grade offices in Beijing.

Location Distribution of Grade A and Premium Grade Office Buildings in the CBD Submarket



Data Source: DTZ Consulting, March 2013

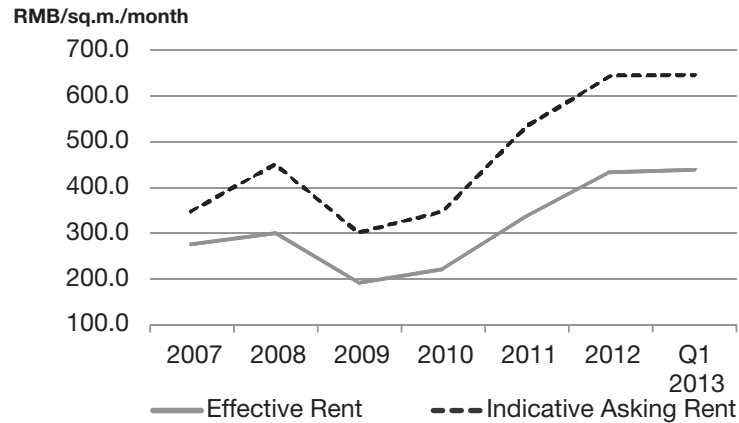
Notes:

- (1) Office buildings shown in the table and those marked as circles on the map are Premium Grade office buildings by DTZ's definition. The rest (marked as diamond shape) are general Grade A office buildings.
- (2) Zhongfu Parcel is the only large scale land supply in the CBD submarket in recent years and it is anticipated that the majority of the new supply from this parcel will not enter the market until 2017.

INDUSTRY OVERVIEW

In the CBD submarket, rental rate varies depending on office quality. The monthly effective rent of Premium Grade office buildings has been generally higher than other Grade A office buildings in the same submarket. The monthly effective rent of Premium Grade office buildings in the CBD reached RMB453.9 per sq.m. in the first quarter of 2013, 36.2% higher than that of other Grade A office buildings in the same submarket.

Premium Grade Office Rental, CBD Submarket



Data Source: DTZ Consulting, March 2013

DTZ estimates that the monthly effective rent per sq.m. for Premium Grade office buildings will reach RMB467.0, RMB515.0, RMB540.0 and RMB565.0 in 2013, 2014, 2015 and 2016, respectively.

Rental Forecast of Premium Grade Office Buildings in the CBD Submarket

	<u>2013F</u>	<u>2014F</u>	<u>2015F</u>	<u>2016F</u>
Effective Rent (RMB/sq.m./month)	467.0	515.0	540.0	565.0
Indicative Transacted Rent (RMB/sq.m./month)	509.0	561.4	588.6	615.9
Annual Growth Rate (%)	4.0	10.3	4.9	4.6

Data Source: DTZ Consulting, March 2013