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## INDUSTRY OVERVIEW

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*This section contains information relating to the economy of China and the industry in which we operate. We have extracted and derived the information in the section below, in part, from various official government publications and a commissioned report from DTZ. See “— Sources of Information” below. We believe that such sources are appropriate sources for the information and statistics below, including forward-looking information for future periods as identified, and have taken reasonable care in extracting and reproducing such information. We have 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 us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates or advisers, or any party involved in the Global Offering and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China.*

### SOURCES OF INFORMATION

In connection with the Global Offering, we commissioned the Market Research Report from DTZ for use in part in this prospectus to provide prospective investors with information relating to the economy of China, the residential market in Guangdong and Hunan Provinces in China, and the industry in which we operate. DTZ has charged us a total fee of HK\$325,000, for the preparation of the Market Research Report, which we believe is in line with the market rate for such 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 Global Offering, DTZ also serves as our property valuer. A property valuation report prepared by DTZ which relates to our property interests is included in Appendix III to this prospectus. DTZ provided services through two business functions which are independent from each other. 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 DTZ Guangzhou Consulting Team, local marketing agents and market observers in the residential sector.

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## INDUSTRY OVERVIEW

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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;
- DTZ understands the data collection methodology and data source of the subscribed database from China Index Academy; and
- The information obtained from interviews is for DTZ's reference only and the findings in this report are not based on the results of these interviews. Nevertheless, DTZ has proven track records in providing market research studies to government and private clients in the regions where this Market Research Report cover, and the information obtained from the interviews with DTZ Guangzhou Consulting Team is therefore considered reliable.

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

- All land transaction records and contracted average selling prices of select projects provided by the Company are true and correct;
- All published data by the Statistics Bureaux are true and correct;
- All collected information relating to residential sales transactions from the relevant local housing administrative bureaux are true and correct;
- All land transaction records collected from Land Resources Administrative Bureaux are true and correct; and
- Where subscribed data is obtained from renowned public institutions, DTZ will rely upon the apparent integrity and expertise of such institutions. DTZ will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.

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## INDUSTRY OVERVIEW

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### OVERVIEW OF THE PRC ECONOMY

China's economy has grown rapidly since the beginning of market-based reforms in 1978. Since 1990, China's economic boom has been built on a relatively high level of fixed asset investment ("FAI") and rapid export growth. China's nominal GDP grew at a CAGR of approximately 13.2% from 2008 to 2012, reaching approximately RMB51.9 trillion in 2012. Although real GDP growth in China moderated to approximately 7.8% in 2012 from approximately 9.6% in 2008, it remains among the fastest growing economies in the world. The PRC government is targeting real GDP growth of approximately 7.0% for the 12th Five-Year Plan<sup>(1)</sup> period.

The table below sets out the key economic indicators for China for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Nominal GDP (RMB billion) . . . . .	31,603.0	34,032.0	39,760.0	47,211.5	51,932.2
Real GDP growth rate (%). . . . .	9.6	9.2	10.4	9.3	7.8
Per capita GDP (RMB). . . . .	23,708.0	25,608.0	30,015.0	35,181.0	38,420.0
FAI (RMB billion) . . . . .	17,282.8	22,459.9	27,812.2	31,148.5	37,467.6

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*Source: National Bureau of Statistics of China*

In 2012, China had a total population of approximately 1.35 billion, approximately 52.6% of which live in urban areas, compared to approximately 47.0% in 2008. While population growth has slowed to less than 1% since the late 1990s, the urban population has continued to grow, with a CAGR of approximately 2.9% between 2008 and 2012. Given that urbanization rate in developed economies is typically between 70% to 90%, the trend towards urbanization is expected to continue for at least another decade in China.

This rising urban population drives the needs for urban housing and other infrastructure, such as transportation and retail facilities, stimulating the growth of the real estate market. In addition, with the disposable income of urban households being substantially higher than rural households, urbanization is an important underlying factor in increasing domestic consumption.

Annual per capita disposable income for urban households rose year-on-year since 1980 and reached approximately RMB24,565.0 in 2012, increased by 12.6% on a year-on-year basis. This strong growth in disposable income has resulted in the continuous growth of spending power. As China becomes wealthier, the needs for upgrading living standards, including living conditions and environment, became a priority for many households.

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*Note:*

<sup>(1)</sup> A Five-Year Plan is a series of social and economic development initiatives. The 12th Five-Year Plan, which covers 2011 to 2015, was approved by the National People's Congress of the PRC on March 14, 2011 with the goals of addressing rising inequality and creating an environment for more sustainable growth by prioritizing more equitable wealth distribution, increased domestic consumption, and improved social infrastructure and social safety nets.

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## INDUSTRY OVERVIEW

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The table below sets out the key demographic profile for China for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual per capita disposable income for urban households (RMB) . . . . .	15,780.8	17,174.7	19,109.4	21,810.0	24,565.0
Urban population (million) . . . . .	624.0	645.1	669.8	690.8	711.8
Urbanization rate (%) . . . . .	47.0	48.3	50.0	51.3	52.6

*Source: National Bureau of Statistics of China*

### OVERVIEW OF THE REAL ESTATE MARKET IN THE PRC

The PRC government applies various economic, legal and administrative measures to regulate the real estate market, in order to encourage end-user demand while restricting speculation activities, and to better coordinate development between the real estate industry and national economy. See the section entitled “Regulatory Overview” in this prospectus for details.

The table below sets out the key real estate indicators for China for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total investment in property development in urban areas (RMB in billions) . . . . .	3,120.3	3,624.2	4,825.9	6,179.7	7,180.4
Total investment in residential buildings in urban areas (RMB in billions) . . . . .	2,244.1	2,561.4	3,402.6	4,432.0	4,937.4
Total floor space of buildings completed (sq.m. in millions) . . . . .	2,603.1	3,021.2	3,043.1	3,290.7	3,355.0
Total floor space of commercialized residential buildings completed (sq.m. in millions) . . . . .	543.3	596.3	634.4	743.2	790.4
Total floor space of buildings under construction (sq.m. in millions) . . . . .	6,322.6	7,541.9	8,440.6	10,355.2	11,672.4
Total floor space of commercialized residential buildings under construction (sq.m. in millions) . . . . .	2,228.9	2,513.3	3,147.6	3,877.1	4,289.6
Total floor space of commercialized buildings sold* (sq.m. in millions) . . . . .	659.7	947.6	1,047.6	1,099.5	1,113.0
Total floor space of commercialized residential buildings sold* (sq.m. in millions) . . . . .	592.8	861.8	933.8	965.3	984.7
Average price of commercialized buildings sold** (RMB/sq.m.) . . . . .	3,800.0	4,681.0	5,032.0	5,357.0	5,791.2
Average price of commercialized residential buildings sold** (RMB/sq.m.) . . . . .	3,576.0	4,459.0	4,725.0	4,993.0	5,429.8
Total sales of commercialized buildings sold (RMB billion) . . . . .	2,506.8	4,435.5	5,272.1	5,858.9	6,445.6
Total sales of commercialized residential buildings (RMB billion) . . . . .	2,119.6	3,843.3	4,412.1	4,819.8	5,346.7

*Source: National Bureau of Statistics of China*

\* *Inclusive of presales GFA (for floor space of commercialized buildings sold)*

\*\* *Calculated figure, subject to rounding error*

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## INDUSTRY OVERVIEW

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### THE REAL ESTATE MARKETS OF SELECT AREAS IN THE PRC

#### Guangdong Province

##### *Overview*

Guangdong Province comprises 21 prefecture-level cities and has a total land area of approximately 179,813 sq.km. It had the largest urban population in China in 2012, at approximately 71.4 million, which accounted for approximately 10.0% of China's total urban population. Strategically located close to Hong Kong and Macau, Guangdong Province is an important southern trading gateway to China.

The table below sets out the key economic and demographic indicators for Guangdong Province for the years indicated:

	2008	2009	2010	2011	2012
Nominal GDP (RMB billion) . . . . .	3,679.7	3,948.3	4,601.3	5,321.0	5,706.8
Per capita GDP (RMB) . . . . .	37,638.0	39,436.0	44,736.0	50,807.0	54,095.0
FAI (RMB billion) . . . . .	1,116.5	1,335.3	1,611.3	1,684.4	1,930.8
Utilized foreign direct investment ("FDI") (US\$ million) . . . . .	21,266.6	20,286.9	21,026.5	22,328.5	23,549.0
Annual per capita disposable income for urban households (RMB) . . . . .	19,732.9	21,574.7	23,897.8	26,897.5	30,226.7

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*Source: National Bureau of Statistics of China; Bureau of Statistics of Guangdong*

- **Guangdong Province is one of the most prosperous and politically important provinces in China**

Guangdong Province has long been one of the most prosperous and politically important provinces in China, contributing approximately 11.0% of China's national economic output in 2012. In particular, Guangdong Province had the highest GDP value in China in 2011, amounting to approximately RMB5,321.0 billion, which continued to grow in 2012, reaching approximately RMB5,706.8 billion. Guangdong Province ranked first among all provinces in China in terms of GDP.

- **Continued investment into Guangdong Province to enhance its vibrancy and economic influence in China**

FAI in Guangdong Province continued to grow and returned to a double digit annual growth rate of approximately 14.6% in 2012. This indicates the commitment of the PRC government to invest into Guangdong Province to improve its infrastructure and livelihood, which will help enhance the vibrancy and competitiveness of Guangdong Province within China.

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## INDUSTRY OVERVIEW

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- **Guangdong Province has one of the highest annual per capita disposable incomes for urban households in China**

Annual per capita disposable income for urban households in Guangdong Province reached approximately RMB30,226.7 in 2012, which was higher than the national average of approximately RMB21,986.0 in the same year, and ranked first among all provinces (after the municipal cities of Shanghai, Beijing and Tianjin).

- **Continued urbanization is expected to drive demand for urban housing and associated infrastructure**

Due to rapid urban development in Guangdong Province, the overall urbanization rate grew from approximately 63.4% in 2008 to approximately 67.4% in 2012. Rapid urbanization is expected to provide a concentration of highly skilled and educated population in urban areas, leading to a continued demand for urban housing and associated infrastructure, and development of the tertiary sector, thereby enhancing the industry structure of the region.

- **Guangdong Province has a well-established transportation network to connect with the rest of China**

Guangdong Province has a well-established transportation network that connects it with the rest of China and the world. It has one of the best highway networks in China, reaching nearly 6,000 km by the end of 2012.

The opening of the Guangzhou-Beijing high speed rail in December 2012 directly connected Guangdong Province with other major cities in China, such as Wuhan, Changsha and Beijing. Looking forward, Guangdong Province is expected to have a comprehensive high speed intercity rail network which, when completed in 2020, will include ten routes connecting the cities of Zhaoqing, Foshan, Jiangmen, Guangzhou, Zhongshan and Zhuhai on the western side of the Pearl River Delta (“PRD”) to the eastern PRD cities of Dongguan, Shenzhen and Huizhou.

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## INDUSTRY OVERVIEW

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The table below sets out the key real estate indicators for Guangdong Province for the years indicated:

	2008	2009	2010	2011	2012
Total investment in property development in urban areas (RMB billion) . . . . .	293.2	296.1	366.0	481.0	535.3
Total investment in residential buildings development in urban areas (RMB billion) . . . . .	213.3	209.0	253.9	345.3	370.5
Total GFA of buildings completed (million sq.m.) . . . . .	43.6	50.6	56.6	61.4	63.6
Total GFA of residential buildings completed (million sq.m.) . . . . .	34.8	41.1	45.9	48.8	49.2
Total GFA of buildings under construction (million sq.m.) . . . . .	229.9	248.1	293.0	361.4	393.0
Total GFA of residential buildings under construction (million sq.m.) . . . . .	180.2	189.9	222.5	273.8	292.5
Total GFA of buildings sold* (million sq.m.) . . . . .	48.2	70.6	73.2	74.3	79.0
Total GFA of residential buildings sold* (million sq.m.) . . . . .	43.8	65.7	65.5	67.1	71.6
Average price of buildings sold** (RMB per sq.m.) . . . . .	5,969.6	6,513.5	7,485.7	7,878.1	8,112.2
Average price of residential buildings sold** (RMB per sq.m.) . . . . .	5,753.9	6,359.7	7,004.3	7,560.9	7,664.8
Total sales of buildings (RMB billion) . . .	288.0	459.9	548.1	585.3	640.8
Total sales of residential buildings (RMB billion) . . . . .	251.9	417.7	459.0	507.1	548.8

*Source: National Bureau of Statistics of Guangdong Province*

\* *Inclusive of presales GFA (for floor space of commercialized buildings sold)*

\*\* *Calculated figure, subject to rounding error*

The PRC real estate market entered into a period of adjustment due to the financial crisis in 2008 and the issuance of various restrictive policies by the PRC government to combat rapid growth in property prices across China in recent years. Nonetheless, investment in real estate in Guangdong Province has maintained a growing trend from 2008 to 2012, with a CAGR of approximately 16.2%. The total residential GFA completed and GFA sold continued to rise since 2010. The demand-supply ratio remained at above 1.0 from 2008 to 2012, and rose to 1.6 in 2012, indicating a strong demand in the real estate market in Guangdong Province. The average selling price of commercialized residential buildings remained strong, reaching approximately RMB7,664.8 per sq.m. in 2012, representing a CAGR of approximately 7.4% growth.

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## INDUSTRY OVERVIEW

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### *Overview of Select Key Cities in Guangdong Province*

#### *Guangzhou*

Guangzhou is a key manufacturing, trading and transportation hub in the PRD. Generally considered as a first-tier city in China and being one of the five National Central Cities,<sup>(1)</sup> Guangzhou is the capital city of Guangdong Province and has been one of the most important trading ports and national transportation hubs throughout Chinese history. Guangzhou is also a core city in the PRD Economic Zone,<sup>(2)</sup> with major manufacturing, trading and logistics activities, and hosts a number of important trade fairs, such as the Canton Fair, which is the largest import and export fair in China. As a provincial capital, the city attracts international and domestic enterprises and has begun to transform into a more services-based economy in the past decade.

The table below sets out the key economic and demographic indicators for Guangzhou for the years indicated:

	2008	2009	2010	2011	2012
Nominal GDP (RMB billion) . . . . .	828.7	913.8	1,074.8	1,242.3	1,355.1
Nominal GDP growth (%) . . . . .	16.1	10.3	17.6	15.6	9.1
Per capita GDP (RMB) . . . . .	76,440.0	79,383.0	87,458.0	97,588.0	106,300.0
FAI (RMB billion) . . . . .	210.1	266.0	326.4	341.2	375.8
Utilized FDI (US\$ million) . . . . .	3,622.7	3,773.3	3,978.6	4,271.5	6,801.9
Annual per capita disposable income for urban households (RMB) . . . . .	25,316.7	27,609.6	30,658.5	34,438.1	38,054.0
Urbanization growth (%) . . . . .	5.9	6.8	8.8	0.7	1.1

*Source: Bureau of Statistics of Guangzhou*

Guangzhou is the third-largest city in China in terms of GDP in 2012. Guangzhou's nominal GDP expanded by a CAGR of approximately 13.1% from approximately RMB828.7 billion in 2008 to approximately RMB1,355.1 billion in 2012, which was mainly driven by the service industry (which accounted for approximately 63.6% of total GDP in 2012) and domestic investment and consumption. Guangzhou's residents are among China's highest earners. In particular, annual per capita disposable income for urban households for 2012 reached RMB38,054.0, reflecting a CAGR of approximately 10.7% from 2008 to 2012.

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#### *Notes:*

- (1) National Central City was a concept proposed by the Ministry of Housing and Urban-Rural Development of the PRC in 2005 as a first step in reforming urbanization in China. National Central Cities are described as a group of cities in charge of leading, developing, performing tasks in political, economic and cultural aspects.
- (2) The PRD Economic Zone consists of Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, Zhuhai, Jiangmen, and parts of Huizhou and Zhaoqing, and has been the most economically dynamic region of the Chinese Mainland since the launch of China's reform program in 1979.



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## INDUSTRY OVERVIEW

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The table below sets out the key real estate indicators for Guangzhou for the years indicated:

	2008	2009	2010	2011	2012
Total GFA of residential buildings completed (million sq.m.) . . . . .	13.5	7.9	7.7	9.4	8.0
Total GFA of residential buildings under construction (million sq.m.) . . . . .	10.6	34.5	39.8	50.8	49.2
Total sales of residential buildings (RMB billion) . . . . .	79.3	112.7	118.0	108.4	135.4
Total GFA of residential buildings sold (million sq.m.) . . . . .	9.3	12.5	11.1	9.9	11.3
Average selling price of residential buildings* (RMB per sq.m.) . . . . .	8,500.7	8,988.5	10,614.4	10,925.7	12,000.1

Source: Bureau of Statistics of Guangzhou

\* Calculated figure, subject to rounding error

Guangzhou experienced a significant increase in retail GFA completion in both 2009 and 2010, when many retail developers were hoping to launch their retail projects in time for the Asian Games, which was hosted in Guangzhou in November 2010. After the Asian Games, the retail GFA completed in Guangzhou slowed down to 1,184,067 sq.m. in 2011, representing a slight drop by 0.1% when compared to 2010, while 1,235,323 sq.m. of office GFA were completed, representing a 90.5% year-on-year growth. Investment in retail space in 2011 remained at a similar level as in 2010 while investment in office achieved a 53.6% year-on-year growth. Nevertheless, investment in retail recorded an average annual growth rate of 20.6% between 2008 and 2011, indicating the overall healthy development in the retail property market in Guangzhou.

The table below sets out the key commercial property indicators for Guangzhou for the years indicated:

	2008	2009	2010	2011	2012
GFA completed for office use ('000 sq.m.).	961.1	403.0	648.3	1,235.3	N/A
GFA completed for retail use ('000 sq.m.) .	765.6	1,066.5	1,314.6	1,184.1	N/A
Investment in office building (RMB million) <sup>(1)</sup> . . . . .	5,348.8	7,447.6	8,155.2	12,524.3	N/A
Investment in retail building (RMB million) <sup>(1)</sup> . . . . .	8,400.1	11,217.8	17,905.6	17,793.5	N/A

N/A: Not available

Source: National Bureau of Statistics of China

Note:

- (1) Investment in real estate development refers to investment in the construction of buildings by real estate development companies, commercialized building construction companies, and other real estate development units of various types of ownership. It does not include pure land transactions. Sources of funds for investment in fixed assets are categorized as funds from the state budget, domestic loans, foreign investment, self-raised funds, and others, depending on the sources of investment.

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## INDUSTRY OVERVIEW

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### *Foshan*

Foshan, together with Guangzhou, forms the “Guangzhou-Foshan Economic Circle.” The key transportation hubs in Guangzhou, namely Guangzhou Baiyun International Airport, Guangzhou Nansha Port and Guangzhou Railway Station, are all within an hour’s drive from central Foshan. This allows Foshan to share resources with Guangzhou, including, among other things, infrastructure facilities, transportation networks, financial capital, labor resources and technological information. For the remaining of the 12th Five-Year Plan period, the two cities will work together to form a “Guangzhou-Foshan metropolitan region,” which is one of the three metropolitan regions identified under the PRD development framework.

Foshan is the third largest manufacturing base in the PRD, following Shenzhen and Guangzhou. Once dominated by State-Owned Enterprises (“SOE”), Foshan’s present economic strength is derived predominantly from private firms, township and village enterprises.

The table below sets out the key economic and demographic indicators for Foshan for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Nominal GDP (RMB billion) . . . . .	437.8	482.1	565.2	621.0	664.0
Nominal GDP growth (%) . . . . .	19.6	10.1	17.2	9.9	6.9
Per capita GDP (RMB) . . . . .	68,033.0	71,691.0	80,313.0	86,073.0	93,300.0
FAI (RMB billion) . . . . .	123.0	147.1	172.0	193.4	212.8
Utilized FDI (US\$ million) . . . . .	1,806.5	1,873.7	1,967.5	2,154.4	3,304.7
Annual per capita disposable income for urban households (RMB) . . . . .	22,494.0	24,577.9	27,244.7	30,718.0	34,580.0
Urbanization growth (%) . . . . .	5.3	5.3	6.6	1.3	0.0

*Source: Bureau of Statistics of Foshan*

Foshan’s nominal GDP expanded by a CAGR of approximately 11.0% from approximately RMB437.8 billion in 2008 to approximately RMB664.0 billion in 2012, ranking 15th among all cities in China and third in Guangdong Province behind Guangzhou and Shenzhen. Annual per capita disposal income of urban household in Foshan had been increasing steadily since 2008. In 2012, the annual per capita urban disposal income of urban households was approximately RMB34,580.0, which ranked third in Guangdong Province.

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## INDUSTRY OVERVIEW

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The table below sets out the key real estate indicators for Foshan for the years indicated:

	2008	2009	2010	2011	2012
Total GFA of residential buildings completed (million sq.m.) . . . . .	2.7	2.0	5.0	5.0	5.1
Total GFA of residential buildings under construction (million sq.m.) . . . . .	17.0	17.4	23.6	28.9	N/A
Total sales of residential buildings (RMB billion) . . . . .	25.9	44.1	59.4	61.4	56.1
Total GFA of residential buildings sold (million sq.m.) . . . . .	4.8	7.1	7.8	7.5	7.1
Average selling price of residential buildings* (RMB per sq.m.) . . . . .	5,365.1	6,204.1	7,647.8	8,207.3	7,957.7

*N/A: Not available*

*Source: Bureau of Statistics of Foshan*

*\* Calculated figure, subject to rounding error*

### Zhuhai

Zhuhai is one of the original Special Economic Zones, or SEZs,<sup>(1)</sup> established in the 1980s to capitalize on its strategic location next to Macau. SEZ status allowed the city to grow as a scenic tourist attraction as well as a modern port city. In 1998, the city was awarded by the United Nations as “the Best Model of International Residential Environment Improvement.”

In terms of economic development, Zhuhai has established electronics, information technology, home electrical appliances, petrochemicals, electrical power, bio-pharmaceuticals and precision machinery as its major industries. It has attracted abundant foreign capital given the city’s excellent geographic location, attractive cityscape, provision of comprehensive ancillary infrastructure and a deep-water port. Utilized foreign investment reached approximately US\$1,447.0 million in 2012.

Aiming to strengthen the existing industrial base and to provide a better environment for the development of new high-tech industries, the local government has taken the initiative to develop five development zones, namely the “Zhuhai High-Tech Industrial Development Zone,” “Zhuhai Free Trade Zone,” “Harbor Industrial Zone (Provincial level),” “Wanshan Ocean Development Zone (Provincial level)” and “Heng Qin Economic Development Zone (Provincial level).” These development zones, together with infrastructure, such as the Lotus Bridge built in 1999, facilitate cross-border traffic with Macau. The Hong Kong-Zhuhai-Macau Bridge, currently under construction, will continue to strengthen the economic ties between Zhuhai and Macau and facilitate Zhuhai’s economic expansion and integration with the rest of the PRD, and to build the image of a modern livable city.

*Note:*

<sup>(1)</sup> The original SEZs were Shenzhen, Shantou, Xiamen and Zhuhai. The PRC government provided more free market-oriented economic policies and flexible government measures to the SEZs. This allowed SEZs to utilize an economic management system that is especially conducive to doing business that did not then exist in the rest of mainland China.

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## INDUSTRY OVERVIEW

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The table below sets out the key economic and demographic indicators for Zhuhai for the years indicated:

	2008	2009	2010	2011	2012
Nominal GDP (RMB billion) . . . . .	99.7	103.9	120.9	140.5	150.4
Nominal GDP growth (%) . . . . .	11.4	4.2	16.4	16.2	7.1
Per capita GDP (RMB) . . . . .	52,921.0	54,156.0	60,797.0	70,014.0	96,300.0
FAI (RMB billion) . . . . .	35.1	41.1	50.2	63.7	78.8
Utilized FDI (US\$ million) . . . . .	1,142.3	1,180.3	1,223.5	1,337.6	1,447.0
Annual per capita disposable income for urban households (RMB) . . . . .	20,949.5	22,858.6	25,381.6	28,730.7	32,978.2
Urbanization growth (%) . . . . .	2.5	4.6	1.9	0.5	0.0

*Source: Bureau of Statistics of Zhuhai*

Zhuhai's nominal GDP expanded by a CAGR of 10.8% from approximately RMB99.7 billion in 2008 to approximately RMB150.4 billion in 2012. In 2012, the annual per capita disposable income for urban households was approximately RMB32,978.2, reflecting a CAGR of approximately 12.0% from 2008.

The table below sets out the key real estate indicators for Zhuhai for the years indicated:

	2008	2009	2010	2011	2012
Total GFA of residential buildings completed (million sq.m.) . . . . .	3.4	3.1	1.8	2.8	3.3
Total GFA of residential buildings under construction (million sq.m.) . . . . .	9.6	9.3	9.2	12.4	13.2
Total sales of residential buildings (RMB billion) . . . . .	11.1	20.5	26.4	23.0	24.6
Total GFA of residential buildings sold (million sq.m.) . . . . .	1.6	2.8	2.5	1.9	2.3
Average selling price of residential buildings* (RMB per sq.m.) . . . . .	6,918.8	7,368.6	10,517.9	11,904.8	10,668.0

*Source: Bureau of Statistics of Zhuhai*

\* Calculated figure, subject to rounding error

### Zhongshan

As an industrial heartland in Guangdong Province, Zhongshan, together with Dongguan, Nanhai and Shunde, were once generally known as the "Four Little Tigers" in Guangdong Province. Being home to Zhongshan Port, which is a major port in Guangdong Province, and its proximity to Hong Kong (Zhongshan Port operates daily ferries to Hong Kong) and Macau have provided the key foundations for Zhongshan's economic development, especially in the industrial arena.

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## INDUSTRY OVERVIEW

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The economy of Zhongshan relies heavily on the export of textiles, hardware and lighting industries. In the 1980s, Zhongshan's industrial activities were dominated by SOEs, which have now been gradually replaced by foreign investors and domestic private sector which together accounted for over 70% of the total industrial output in 2011. In addition, different towns in Zhongshan are known by their specialized industries or an industrial cluster formation where the complete supply base of a specialized product can be found in one township.

Since 2000, the local government began to promote high and new technology in specialized towns, and to shift from overseas markets to domestic market, with the hope to minimize the impact of future global economic uncertainty. In addition, the local government encourages “research and design” in the region by setting up national level research centers and specialized industrial regions.

Industrial and manufacturing industry will remain a key focus of economic activity in the 12th Five-Year Plan and local government investment has been directed to support this. For example, the Zhongshan Bonded Logistics Center and Freight Car Entry and Exit Checkpoint opened in 2010 were built to support the export from manufacturing enterprises in Zhongshan.

The table below sets out the key economic and demographic indicators for Zhongshan for the years indicated:

	2008	2009	2010	2011	2012
Nominal GDP (RMB billion) . . . . .	145.7	156.6	185.1	219.3	244.1
Nominal GDP growth (%) . . . . .	14.9	7.5	18.2	18.5	11.3
Per capita GDP (RMB) . . . . .	66,798.0	68,042.0	77,888.0	89,794.0	78,200.0
FAI (RMB billion) . . . . .	44.5	54.6	66.0	76.7	89.3
Utilized FDI (US\$ million) . . . . .	744.9	607.9	668.3	729.5	842.0
Annual per capita disposable income for urban households (RMB) . . . . .	N/A	23,088.4	25,356.6	27,700.0	31,130.0
Urbanization growth (%) . . . . .	6.3	5.4	7.2	0.7	0.0

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*Source: Bureau of Statistics of Zhongshan*

Zhongshan's nominal GDP expanded by a CAGR of 13.8% from approximately RMB145.7 billion in 2008 to approximately RMB244.1 billion in 2012. In 2012, the annual per capita disposable income for urban households was approximately RMB31,130.0, reflecting a CAGR of approximately 10.5% from 2009.

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## INDUSTRY OVERVIEW

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The table below sets out the key real estate indicators for Zhongshan for the years indicated:

	2008	2009	2010	2011	2012
Total GFA of residential buildings completed (million sq.m.) . . . . .	2.7	3.4	4.0	5.2	2.7
Total GFA of residential buildings under construction (million sq.m.) . . . . .	14.8	16.8	18.6	23.3	N/A
Total sales of residential buildings (RMB billion) . . . . .	12.2	23.6	31.2	33.6	31.5
Total GFA of residential buildings sold (million sq.m.) . . . . .	2.9	5.2	6.1	5.8	5.9
Average selling price of residential buildings* (RMB per sq.m.) . . . . .	4,272.7	4,547.4	5,146.7	5,824.5	5,300.2

*N/A: Not available*

*Source: Bureau of Statistics of Zhongshan*

*\* Calculated figure, subject to rounding error*

### *Qingyuan*

Qingyuan, with an area of approximately 19,015 sq.km., is the largest prefecture-level city by land area in Guangdong Province. Heavy industry and light industry constituted approximately 77.0% and 23.1%, respectively, of the city's total value-added industrial output in 2011.

Although the key economic indicators, such as GDP, FAI and FDI are relatively low compared to the other select cities in Guangdong Province, Qingyuan is expected to have the infrastructure in place to make it a major economic and transportation hub in Guangdong Province in the future. In particular, by road, Qingyuan is directly served by China National Highways 106, 107 and 323, which connect it with Guangzhou and other major cities in China. With the Beijing-Zhuhai Highway and the Guangzhou-Qingyuan Highway, the driving time from Qingyuan to Guangzhou, Foshan and Shenzhen is reduced to 30 minutes, 60 minutes and 90 minutes, respectively. By rail, Qingyuan is directly connected to Beijing and Guangzhou through the Beijing-Guangzhou Railway. By sea, Qingyuan has major ports, such as Qingyuan Port, Yingde Port, Lianzhou Port, and Yangshan Port, which play a vital role in transporting goods to other regional centers in Guangdong Province, Hong Kong and Macau. By air, Qingyuan is 28 km away from Guangzhou Baiyun International Airport. Qingyuan is expected to become an attractive investment for investors looking outside the major cities in Guangdong Province for a higher investment return margin.

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## INDUSTRY OVERVIEW

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The table below sets out the key economic and demographic indicators for Qingyuan for the years indicated:

	2008	2009	2010	2011	2012
Nominal GDP (RMB billion) . . . . .	65.2	71.5	87.0	100.3	102.9
Nominal GDP growth (%) . . . . .	16.9	9.7	21.7	15.3	2.6
Per capita GDP (RMB) . . . . .	17,813.0	19,479.0	23,569.0	26,957.0	27,800.0
FAI (RMB billion) . . . . .	70.4	84.1	99.7	48.6	43.8
Utilized FDI (US\$ million) . . . . .	514.8	549.1	320.2	384.4	300.0
Annual per capita disposable income for urban households (RMB) . . . . .	N/A	14,314.8	15,768.2	17,667.5	19,514.0
Urbanization growth (%) . . . . .	4.5	4.7	5.0	1.3	0.6

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*Source: Bureau of Statistics of Qingyuan*

Qingyuan's nominal GDP expanded by a CAGR of 12.1% from approximately RMB65.2 billion in 2008 to approximately RMB102.9 billion in 2012. In 2012, the annual per capita disposable income for urban households was approximately RMB19,514.0, reflecting a CAGR of approximately 10.9% from 2009.

The table below sets out the key real estate indicators for Qingyuan for the years indicated:

	2008	2009	2010	2011	2012
Total GFA of residential buildings completed (million sq.m.) . . . . .	1.5	1.7	2.1	1.8	2.6
Total GFA of residential buildings under construction (million sq.m.) . . . . .	8.5	8.1	11.7	16.7	N/A
Total sales of residential buildings (RMB billion) . . . . .	3.1	9.0	12.5	14.8	16.3
Total GFA of residential buildings sold (million sq.m.) . . . . .	1.1	2.7	3.1	3.4	3.7
Average selling price of residential buildings* (RMB per sq.m.) . . . . .	2,740.2	3,272.7	4,065.3	4,328.8	4,408.0

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*N/A: Not available*

*Source: Bureau of Statistics of Qingyuan*

\* *Calculated figure, subject to rounding error*

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## INDUSTRY OVERVIEW

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### *Overview of Competitive Landscape in Real Estate Market in Guangdong Province*

With a long history of residential development in Guangdong Province, there is strong market competition in Guangdong Province's residential sector, both in the two first-tier cities, Guangzhou and Shenzhen, as well as in the relatively smaller scale cities such as Zhuhai and Zhongshan.

In order to establish a market share amidst the huge competition, developers in Guangdong Province have established different types of product lines and branding in order to differentiate their market position and to attract different groups of target customers. In addition, as land supply in urban core areas becomes increasingly scarce, there is a market trend for developers to have projects along the rail lines and motorways in the suburban areas, capitalizing on the PRD Region's transportation infrastructure. In general, precise market positioning, convenient accessibility and established supporting facilities of a residential project remain key factors which can help developers gain popularity among buyers and, therefore, larger market share.

Among 220 real estate development companies in seven major cities in Guangdong Province,<sup>(1)</sup> Times Group ranked 11th in terms of market share by sales volume in Guangdong Province, and third among non-listed developers in Guangdong Province in 2012, demonstrating the Company's extensive coverage in Guangdong Province's major cities and the popularity of its products among home buyers.

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*Note:*

<sup>(1)</sup> *The top 50 developers in each of the seven select cities, ranked by total residential GFA sold in 2012, have been taken out for further analysis. The 220 developers quoted is the final number of developers studied for DTZ's ranking after taking out any overlaps in developers within these seven cities.*



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## INDUSTRY OVERVIEW

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The table below sets out the top 15 real estate developers in Guangdong Province<sup>(1)</sup> by contracted sales volume in 2012:

Ranking	Jan-Dec 2012
1 . . . . .	China Vanke Co., Ltd. (萬科企業股份有限公司)
2 . . . . .	Agile Property Holdings Limited (雅居樂地產控股有限公司)
3 . . . . .	Poly Property Group Co., Limited (保利置業集團有限公司)
4 . . . . .	Country Garden Holdings Company Limited (碧桂園控股有限公司)
5 . . . . .	Nimble (敏捷集團)
6 . . . . .	CITIC Real Estate Co., Ltd. (中信房地產股份有限公司)
7 . . . . .	China Overseas Land & Investment Ltd. (中國海外發展有限公司)
8 . . . . .	China Merchant Property Development Co., Ltd. (招商局地產控股股份有限公司)
9 . . . . .	Yuexiu Property Company Limited (越秀地產股份有限公司)
10 . . . . .	Guangzhou R&F Properties Co., Ltd. (廣州富力地產股份有限公司)
11 . . . . .	<b>Times Property Holdings Limited</b> (時代地產控股有限公司)
12 . . . . .	Evergrande Real Estate Group Limited (恒大地產集團有限公司)
13 . . . . .	Hutchison Whampoa Limited (和記黃埔有限公司)
14 . . . . .	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司)
15 . . . . .	Sino-Ocean Land Holdings Limited (遠洋地產控股有限公司)

Source: DTZ, China Index Academy, March 2013

Note:

(1) Guangdong Province is represented by Guangzhou, Shenzhen, Foshan, Zhuhai, Dongguan, Zhongshan and Huizhou. The result is based on 220 real estate development companies in the respective seven cities.

### Changsha, Hunan Province

#### Overview

Changsha, the capital of Hunan Province and the leading city of the “Greater Changsha Metropolitan Region”,<sup>(1)</sup> has emerged as a key city for investment and development in the central region of China in recent years. Changsha’s nominal GDP reached RMB634.0 billion in 2012 and nominal GDP growth remained strong, growing at a CAGR of 20.6% from 2008

Note:

(1) The Greater Changsha Metropolitan Region is a large area in Hunan Province, China, comprising the three prefecture-level cities of Changsha, Xiangtan and Zhuzhou. The region is the heavily urbanized region of Hunan and covers an area of approximately 28,087 sq.km.

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## INDUSTRY OVERVIEW

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to 2012. It ranked first in Hunan Province, and second among other provincial capitals in six central provinces (including Shanxi, Henan, Hubei, Anhui, Jiangxi and Hunan) (the “**Six Central Provinces**”) in China, in terms of GDP in 2012. Changsha had the highest annual per capita disposable income for urban households among other provincial capitals in the Six Central Provinces, reaching approximately RMB30,288.0 in 2012, with a CAGR of approximately 13.5% from 2008. The strong growth in GDP and annual per capita disposable income has facilitated the vibrancy of the real estate market in Changsha.

The table below sets out the key economic and demographic indicators for Changsha for the years indicated:

	2008	2009	2010	2011	2012
Nominal GDP (RMB billion) . . . . .	300.1	374.5	454.7	561.9	634.0
Per capita GDP (RMB) . . . . .	45,765.0	56,620.0	66,443.0	79,530.0	89,903.0
FAI (RMB billion) . . . . .	187.3	244.2	319.3	351.0	401.2
Utilized FDI (US\$ million) . . . . .	1,801.0	2,033.0	2,238.0	2,601.0	2,977.0
Annual per capita disposable income for urban households (RMB) . . . . .	18,282.0	20,238.0	22,814.0	26,451.0	30,288.0

*Source: National Bureau of Statistics of China; Bureau of Statistics of Changsha*

### ***Real Estate Market of Changsha***

The table below sets out the key real estate indicators for Changsha for the years indicated:

	2008	2009	2010	2011	2012
Total investment in property development in urban areas (RMB billion) . . . . .	47.0	49.7	68.4	88.6	103.2
Total GFA of residential buildings completed (million sq.m.) . . . . .	7.1	11.3	11.8	12.1	11.3
Total GFA of residential buildings under construction (million sq.m.) . . . . .	N/A	N/A	55.0	62.0	53.2
Total GFA of commercial buildings sold* (million sq.m.) . . . . .	8.2	14.1	16.8	15.0	15.3
Average price of commercial buildings sold** (RMB per sq.m.) . . . . .	3,323.2	3,647.8	4,418.1	5,881.9	6,100.9
Total sales of commercial buildings (RMB billion) . . . . .	27.3	51.3	74.2	88.2	93.2

*N/A: Not available*

*Source: National Bureau of Statistics of Changsha*

\* *Inclusive of presales GFA (for floor space of commercialized buildings sold)*

\*\* *Calculated figure, subject to rounding error*

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## INDUSTRY OVERVIEW

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### *Overview of Competitive Landscape of the Real Estate Market in Changsha*

As an inland city, Changsha's real estate development has generally been behind other coastal cities such as Guangzhou and Shenzhen, which had been targeted for development in the early stages of the reform and opening process. However, as the real estate market of first-tier cities in coastal provinces matures, development has been diverted to the western and central regions of China in the past few years, especially after 2009. This is reflected by the high double-digit annual growth rates in investment into property development as well as the sales and average prices of commercial properties sold in Changsha from 2009.

It is observed that market competition in Changsha city has increased since 2009 and reputable domestic developers have entered the market and in general, developers with reputable brands maintained to have a competitive advantage in the market.

### **HISTORICAL PRICE TRENDS OF RAW MATERIALS**

The Group's major construction materials generally include, among other things, cement and steel, which are subject to market fluctuation and volatility.

The table below sets out the purchasing price indices for industrial producers for China for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Purchasing price indices for industrial producers (Building materials) <sup>(1)(2)</sup> . .	109.5	101.1	103.8	108.4	108.1

Source: National Bureau of Statistics of China

*Notes:*

- (1) These indices reflect changes in the level and degree 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 would include, amongst other things, cement, steel, bitumen, concrete blocks, glass, steel, metal formwork, timber framework, paint, unplasticized PVC pipes, etc.*
- (2) These indices reflect the percentage change in our purchasing price over the previous 12-month period. For example, the figure 108.1 in 2012 indicates an average price increase of 8.1% over the previous 12-month period.*