

## INDUSTRY OVERVIEW

*The information and statistics set out in this section have been extracted, in part, from various official government publications and a market research report prepared by Savills (the “Savills Report”) and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and their respective directors, advisors and affiliates has independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and their respective directors, advisors and affiliates or any other party involved in the Global Offering makes any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC.*

### THE PRC ECONOMY

China is the world’s third-largest country in terms of total land area spanning approximately 9.6 million square kilometers, and is the world’s most populous country with a population of approximately 1.36 billion as of December 31, 2013. The table below sets out selected economic statistics of China for the periods indicated:

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR
Population (million people)	1,284.5	1,292.3	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	0.5%
Nominal GDP (RMB Trillion)	12.0	13.6	16.0	18.5	21.6	26.6	31.4	34.1	40.2	47.3	51.9	56.9	15.2%
GDP Growth Rate (%)	9.1	10.0	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.7	–
Per Capita GDP (RMB)	9,398	10,542	12,336	14,185	16,500	20,169	23,708	25,608	30,015	35,198	38,420	41,805	14.5%
Per Capita Annual Disposable Income of Urban Households (RMB)	7,703	8,472	9,422	10,493	11,760	13,786	15,781	17,175	19,109	21,810	24,565	26,955	12.1%
Fixed Asset Investment (RMB Trillion)	4.3	5.6	7.0	8.9	11.0	13.7	17.3	22.5	25.2	31.1	37.5	43.7	23.3%

Source: NBS

---

## INDUSTRY OVERVIEW

---

The PRC Government has committed to maintain the economic growth in China. Key trends of the PRC economic development include, among others, the following three areas.

- (1) **Upgrading and Restructuring of Industries.** China's 12th Five-Year Plan (2011-2015) has further reinforced the PRC Government's policy and strategic goal to stimulate domestic demand and adjust industrial structure so as to reduce the reliance on investment and export for its economic growth and to promote domestic consumption. The PRC Government intends to develop seven "Strategic Emerging Industries", namely, biotechnology, new energy, high-end equipment manufacturing, energy conservation and environmental protection, clean-energy vehicles, new materials and next-generation information technology as the backbone of China's economy.
- (2) **New Urbanization Trend.** China has experienced rapid urbanization in the past few decades. The PRC Government has increasingly recognized the importance and necessity of developing a new model of urbanization under which people do not just simply relocate to urban areas, but more importantly their various needs for career and social advancement and a better living environment can be addressed. The new leadership of the PRC Government has recently promoted the concept of "new urbanization" to achieve such objectives as industrial modernization, optimized allocation of resources and domestic growth. As part of their urbanization plan, local governments have generally promoted the development of commercial business parks and particularly in some cities, the development of large-scale commercial business parks integrated with surrounding areas to form new city centers.
- (3) **Development and Business Innovation of SMEs.** The national and local governments have promulgated laws and regulations to create a favorable policy environment for the development of SMEs. They have also provided incentives and measures for overseas talents to establish startup companies focusing on fast-growing, emerging industries. As a result, SMEs have experienced rapid growth in recent years and brought innovative technologies, products and services in relevant industries.

## THE PRC COMMERCIAL BUSINESS PARK MARKET

### Overview

#### *Definition*

According to the Urban Land Institute, a global nonprofit research and education organization, business parks generally consist of multiple buildings with designed capacities to accommodate various business uses (such as light industrial and office space) in an integrated park-like setting with supporting facilities.

According to Savills, as a commercial business park developer and operator, we operate our business in the commercial business park market in China. As stated in the Savills Report, commercial business parks in China are mostly developed in economic development zones by privately-owned and state-owned developers and operators which derive revenue from sale, leasing and operation of property developments and operate their businesses in a commercialized mode. Commercial business parks in China are generally of large-scale and

---

## INDUSTRY OVERVIEW

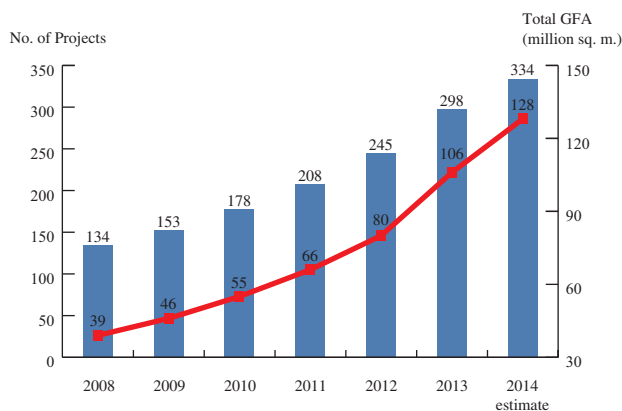
---

typically comprise different kinds of developments with supporting facilities that cater to the needs of a large number of companies across various industries (including large multinational corporations, SMEs and start-up companies). Companies can choose from ready-built developments with general characteristics that meet certain industrial standards and construction quality requirements. They may also have customized developments designed and constructed by commercial business park developers and operators or themselves on vacant land to meet their particular business demands. The newest generation of commercial business parks in China is large-scale developments which integrate with fully-functional living communities and provide a full range of business, residential, retail and other leisure facilities, thereby forming new city centers and driving up the growth of local economies.

The PRC commercial business market started to emerge in China in the late 1990s to 2000, when the PRC Government adopted a policy of promoting economic development zones as part of its strategic efforts to stimulate domestic growth and upgrade China's industrial structure. As an increasing number of privately-owned and state-owned developers and operators started to engage in the development and operation of commercial business parks in the economic development zones with the main objectives to develop operational expertise and derive corporate revenue, the PRC commercial business park market emerged. Since then, the PRC commercial business park market has experienced rapid growth with commercial business parks increasingly driving up the development and expansion of economic development zones in China.

### *Supply of PRC Major Commercial Business Park Markets*

The chart below sets forth the total supply information of the commercial business park markets in 20 Chinese cities (including Beijing, Changchun, Chengdu, Chongqing, Dalian, Guangzhou, Hangzhou, Hefei, Jinan, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Wuxi, Xiamen and Xi'an) covering at least 90% of the PRC commercial business park market. The total GFA supply of commercial business parks in these markets grew from 2008 to 2013 at a CAGR of 22.2% and the total number of commercial business park projects increased for the same period at a CAGR of 17.3%.



---

Source: Savills

---

## INDUSTRY OVERVIEW

---

### *Geographical Analysis of PRC Commercial Business Park Market*

According to the Savills Report, China's commercial business park market consists of the following three categories:

- (1) the relatively mature markets in first-tier cities in China (such as Beijing, Shanghai and Guangzhou), major cities located in the Yangtze River Delta with rapid growth in the outsourcing industries (such as Suzhou, Wuxi, Nanjing and Hangzhou), as well as Dalian, the largest software outsourcing base in China, with the general characteristics of: (a) large scale of local industries which are in the process of upgrading and restructuring, (b) a significant demand for service outsourcing industries, and (c) a relatively long history of commercial business park development;
- (2) the growth markets in second- or third-tier cities in China (such as Wuhan, Qingdao, Hefei, Chengdu, Shenyang, Xi'an and Tianjin), whose commercial business park developments are relatively shorter in history and smaller in scale and where local outsourcing industries are on a smaller scale than those in the relatively mature markets. Local governments of these cities have proactive and comprehensive urban and industrial development plans. They offer generous incentives to attract experienced commercial business park developers and operators and high quality companies. These cities also possess competitive advantages of cost and talent reserve and will become new economic centers in China; and
- (3) the niche markets in prefecture level cities in China (such as Ezhou and Huangshi in Hubei province) with the development of the commercial business park industry being at very early stages. Commercial business park projects are generally large-scale and significant to local economies.

### *Drivers for Growth of the PRC Commercial Business Parks*

According to the Savills Report, the commercial business park industry in China is expected to continue to grow and the key drivers for such growth include the following factors.

- ***Growth of Economic Development Zones.*** The growth of the economic development zones in China has created and will continue to create significant demands for commercial business parks. The total output of high technology companies in the economic development zones in China increased from RMB4,438.0 billion in 2007 to RMB10,568.0 billion in 2011 at a CAGR of 24.0% and the total revenue of these companies increased from RMB5,493.0 billion in 2007 to RMB16,569 billion in 2012 at a CAGR of 24.7%.
- ***Strong Government Support.*** In line with governmental policies to promote the restructuring and upgrading of industries and urbanization, local governments generally zone designated areas for economic development, sell land in such areas at favorable prices for commercial business park developments and provide a series of incentives and favorable policies, including, among others, subsidies and tax holidays for companies resident in the economic development zones, and housing subsidies and other allowances to their employees.

---

## INDUSTRY OVERVIEW

---

- ***Better Land Utilization and Planning by Governments.*** By having enterprises operating in various industries aggregated in designated areas or zones through zoning or other measures, local governments can use land more efficiently from a planning perspective, because companies in different industries can share infrastructure development, supporting facilities and other resources.
- ***Rising Selling and Rental Prices of Office Space in Core Urban Areas.*** According to the Savills Report, the ASP of office space in major Chinese cities increased from RMB8,378 per sq.m. in 2008 to RMB12,300 per sq.m. in 2012 at a CAGR of 10.8%. The average monthly rental price for grade A office space in these cities increased from RMB128.9 per sq.m. in 2008 to RMB158.9 per sq.m. in 2013 at a CAGR of 4.3%. The rising selling and rental prices of office space in the core urban areas in Chinese cities have driven and are expected to continue to drive up demand for new commercial business park developments in China.
- ***Industry Clustering.*** Industry clustering or clusters refers to “geographic concentrations of firms, suppliers, related industries and specialized institutions in particular fields that are present in particular locations”, according to Michael E. Porter, a leading authority on competitive strategy. Empirical studies show that the industry clustering within a location primarily leads to, among others, a high-level concentration of industry-specific resources, talents, know-how and expertise, as well as increased exchange and intermixing of knowledge, know-how and expertise among enterprises. Silicon Valley in the U.S. and Zhongguancun in China are two widely cited examples of successful industrial clusters in the technology sector.
- ***Increase in Research and Development Investment.*** According to the Savills Report, China’s spending on research and development reached a historic new high of RMB1.2 trillion in 2013, representing 2.09% of China’s total GDP for that year. China ranked second in total research and development spending in the world in 2013, coming only after the United States. In addition, an increasing number of multinational corporations have relocated their research and development operations to China due to China’s competitive advantages in cost, talent reserves and various other areas.
- ***Growth of Outsourcing Industry.*** The PRC Government promotes and supports the growth of the outsourcing industry, which generally consists of (i) BPO, such as financial back-office services; (ii) ITO, such as software development, and research and development; and (iii) KPO, such as data centers, biotechnology, medical devices, energy conservation, environmental protection, and product design and development. According to the Savills Report, China’s outsourcing industry has grown significantly in recent years, with the total revenue reaching US\$95.5 billion in 2013, almost 22 times compared to that in 2006, and ranked second globally, only after India. The total contracted amount increased from US\$7.0 billion in 2008 to US\$95.5 billion in 2013 at a CAGR of 68.6% with the contracted amount of domestic outsourcing activities increasing from US\$1.2 billion in 2008 to US\$33.2 billion in 2013 at a CAGR of 94.2%.
- ***Development and Business Innovation of SMEs.*** According to Savills, business parks, which have served as bases of incubation and development for SMEs, are expected to experience rapid growth due to the significant demand from SMEs for business spaces. According to the Ministry of Science and Technology, the office spaces in business parks rented by SMEs increased approximately 5 times to 30.4 million sq.m. from 2002 to 2010.

Our sustainable growth has been primarily driven by strong support from national and local governments, trend of industry clustering in relation to business park development, rising selling and rental prices of office space in core urban areas of our target cities, and growth of the PRC outsourcing industry.

---

## INDUSTRY OVERVIEW

---

### **Outlook**

According to the Savills Report, the market supply of commercial business parks in China is estimated to increase gradually in the next five years, as many local governments are actively promoting the development of the commercial business parks in their cities or local districts to stimulate the sustainable growth of local economies. The market demand for commercial business parks in China is estimated to remain very strong throughout the next decade, primarily due to the increasing urbanization level, economic restructuring and other growth drivers as stated above. According to the 2012 China Service Outsourcing City Investment Attractiveness Assessment by Devott<sup>(1)</sup>, Wuhan, Qingdao, Shenyang and Hefei where we have presence ranked among the top ten cities whose outsourcing industries are expected to experience the most rapid growth in the PRC.

### **Competitive Landscape**

The competition in the PRC commercial business park market is relatively low. Compared to the PRC office property market, the PRC commercial business park market has a shorter history and a smaller market size with commercial business parks developed primarily in approximately 20 first- and second-tier cities.

### ***Barriers to Entry***

Barriers to entry for the PRC commercial business park market are high. Developers must possess in-depth industry knowledge, a good understanding of governmental policies on industrial development and demands from customers in relevant industries, technical know-how, operational expertise and capabilities to provide a range of business operation services. In addition to ready-built business spaces with standardized facilities, the developers must also have capabilities to develop customized properties in business parks equipped with well-developed infrastructure and industry-specific supporting facilities meeting the particular requirements for customers' business operations. The developers must also have good relationships with local governments in order to participate in projects within local industrial and technological development zones.

---

*Note:*

- (1) Based in Tianjin with offices in Shanghai and the U.S., Devott is an independent research and advisory service provider in China's outsourcing and technology markets.

## INDUSTRY OVERVIEW

### *National Ranking*

The table below sets forth the top ten commercial business park developers and operators in China in terms of the total GFA of their completed projects, projects under development and projects planned for future development as of December 31, 2013:

Rank	Commercial Business Park Developer and Operator	Total GFA <sup>(1)</sup> ( '000 sq.m.)	Number of Business Parks	Industry Theme
1.	Tian'an Cyber Park (Group) Co., Ltd. (天安數碼城集團)	9,468	14	Telecommunications, software development and financial services
2.	Wuhan Optics Valley Union Group Company Limited (武漢光谷聯合集團有限公司)	8,688 <sup>(2)</sup>	11	Financial services, digital media, industrial design, information technology ("IT"), software development, environmental technology, next generation IT, and marine science and technology
3.	Beijing Science Park Development (Group) Co., Ltd. (北京科技園建設(集團)股份有限公司)	7,447	7	IT and software development, biotechnology, new energy and new material
4.	China Merchants Group (招商局集團)	6,051	8	Creative industries and next generation IT
5.	Shui On Group (瑞安集團)	4,108	2	IT and software development, creative industries
6.	Beijing Liandong Investment (Group) Co., Ltd. (北京聯東投資(集團)有限公司)	3,720	11	Targeting enterprises from different manufacturing and service sectors and no distinctive industry themes
7.	Yida Group Co., Ltd. (億達集團)	3,714	6	IT, software development, next generation IT and biotechnology
8.	ABP (China) Holdings Group Limited (總部基地控股集團)	3,660	3	Targeting enterprises from different manufacturing and service sectors and no distinctive industry themes
9.	Wuhan East Lake High Technology Group Co., Ltd. (武漢東湖高新集團股份有限公司)	2,667	5	Software and information service, biotechnology and environmental technology
10.	Shanghai Pudong Software Park Co., Ltd. (上海浦東軟件園股份有限公司)	2,360	3	IT and software development

Source: Savills

Notes:

- (1) Including both saleable GFA and non-saleable GFA such as car parks, storage warehouses and other space that is not included in the plot ratio.
- (2) Our total GFA as of December 31, 2013 included the total GFA of 2,042,999 sq.m. in respect of completed projects developed by us (excluding the GFA of 71,203 sq.m. in respect of the Lido Mason (Phase I) and the GFA of 206,007 sq.m. in respect of other properties), the total GFA of 1,059,634 sq.m. in respect of projects under development (excluding the GFA of 80,524 sq.m. in respect of the Lido Mason (Phase II)) and the total GFA of 5,379,162 sq.m. in respect of projects planned for future development. The Lido Mason projects (Phases I and II) are wholly owned and developed by our joint venture, Wuhan Mason.

## INDUSTRY OVERVIEW

As noted by Savills, there has not yet developed an industry-wide, commonly adopted method in the PRC commercial business park industry for ranking commercial business park developers and operators. Savills is of the view that its current methodology is appropriate for ranking commercial business park developers and operators as it indicates competitive strengths (including the effectiveness of the expansion of their business park developments in different locations) with various factors being taken into account such as characteristics of the industry as well as the business models and development cycles in relation to business park development. It generally takes two to three years for commercial business park developers and operators to develop industry theme-focused business parks in line with the trend of industry clustering and establish their reputation among customers in local commercial business park markets. Accordingly, the replication of their business models in new commercial business park markets takes longer as compared to residential developers.

Roughly half of the commercial business parks developed by Tian'an Cyber Park (Group) Co., Ltd. are located in the relatively mature markets in China (such as Beijing, Guangzhou, Shenzhen, Wuxi, Hangzhou and Nanjing). Most of its commercial business parks are leased to small- and mid-sized electronic companies. A significant majority of its business is focused on residential development. In addition, most commercial business park developers and operators prefer to develop office space for general business uses suitable for different customers rather than industry-specific commercial business parks.

### COMMERCIAL BUSINESS PARK MARKETS IN SELECTED CITIES

The table below sets out certain economic statistics of and the summary of market demand for office properties in the selected cities for 2013 and the CAGR from 2005 to 2013:

	Wuhan		Qingdao		Shenyang		Hefei		Huangshi		Ezhou	
	2013	CAGR	2013	CAGR	2013	CAGR	2013	CAGR	2013	CAGR	2013	CAGR
GDP (RMB in billions)	900.0	18.8%	800.7	14.6%	660.7 <sup>(2)</sup>	17.9% <sup>(2)</sup>	416.4 <sup>(2)</sup>	24.0% <sup>(2)</sup>	104.1 <sup>(2)</sup>	16.3% <sup>(2)</sup>	63.1	20.0%
Per capita GDP	87,652 <sup>(1)</sup>	16.1%	90,056 <sup>(1)</sup>	13.3% <sup>(1)</sup>	80,632.0 <sup>(2)</sup>	16.2% <sup>(2)</sup>	55,186.0 <sup>(2)</sup>	15.1% <sup>(2)</sup>	42,649.0 <sup>(2)</sup>	16.8% <sup>(2)</sup>	59,791	20.0%
Fixed asset investments (RMB in billions)	600.2	24.3%	502.8	17.3%	562.5 <sup>(2)</sup>	22.4% <sup>(2)</sup>	400.1 <sup>(2)</sup>	34.8% <sup>(2)</sup>	75.1 <sup>(2)</sup>	32.2% <sup>(2)</sup>	57.2	33.9%
Real estate investment	190.6	26.1%	104.9	21.3%	218.4	23.1%	110.6	24.6%	8.5	28.8%	1.6	13.1%
Disposable income of urban households (RMB)	29,821	13.5%	35,227	13.4%	26,431.0 <sup>(2)</sup>	14.7% <sup>(2)</sup>	25,434.0 <sup>(2)</sup>	14.8% <sup>(2)</sup>	19,417.0 <sup>(2)</sup>	12.5% <sup>(2)</sup>	20,878	12.4%
ASP of office properties (RMB/sq.m.)	9,372	13.3%	14,766	6.2%	10,670	7.9%	8,117	6.7%	2,817	3.5%	2,980	17.2%
Total GFA of office properties sold (sq.m.)	714,000	18.2%	460,000	16.1%	170,000	18.8%	580,600	19.2%	65,537	22.7%	2,265	-10.9%

*Source:* Statistical Yearbooks of the Respective Cities

*Notes:*

- (1) Savills estimate is used as the relevant statistical yearbook is not yet published.
- (2) The number for 2012 is used as the relevant statistical yearbook for 2013 is not yet published.

---

## INDUSTRY OVERVIEW

---

### Wuhan

Wuhan is the capital city of Hubei province with a population of approximately 8.2 million in 2012. Its economy ranked ninth among the Chinese cities and first among the cities in central China in 2012. The city has the largest student enrollment population (over 1.1 million) of higher educational institutions among Chinese cities and enterprises are able to selectively recruit well-qualified employees from a deep talent pool of graduates from 79 higher educational institutions in the city. The average costs of corporate spending and personal living in Wuhan are lower than first-tier cities. As a transportation hub in China, Wuhan is located at the center of the so-called “Four-hour Economic Circle,” which means it takes approximately four hours by high speed railway from Wuhan to China’s major cities or economic regions covering over 80% of China’s population. Wuhan has become a major center for BPO and ITO services as the outsourcing industry experienced rapid growth in recent years, driving up the demand for business space.

The local commercial business park market has expanded significantly after the success of the first major project, the Optics Valley Software Park which was developed by us. The local commercial business park development industry is expected to continue to grow rapidly. Most commercial business parks are estimated to be developed in the East Lake High Technology Development Zone, the second National Innovation Demonstration Zone in China as approved by the State Council, due to its proximity to the rising outsourcing industry, the cost advantages compared to business spaces in the core urban areas in Wuhan and easy access to a talent pool of graduates from 79 higher educational institutions in Wuhan. Located in East Lake High-Technology Development Zone, the Biolake ranked jointly by BioInsight and Devott<sup>(1)</sup> among the 2012 top three biotechnology business parks in China and the 2012 top two biotechnology business parks with the best industry-specific features in China. We provide development management services for the Wuhan National Biotech Innovation Business Park (武漢國家生物產業創新基地), in the Biolake. According to the Savills Report, we ranked first in Wuhan as of December 31, 2013 among commercial business park developers and operators in terms of the total GFA of completed projects, projects under development and projects planned for future development.

### Qingdao

Qingdao is a major city in Shandong province with a population of approximately 7.7 million in 2012. The city is in the center of the proposed free trade area among China, Korea and Japan. Qingdao is one of the most important economic centers in the Bohai Rim in northern China. The city is a traditional manufacturing base and has developed major service industry (including, among others, finance, tourism, creative industries and service outsourcing).

---

*Note:*

- (1) BioInsight is the research and consultancy division of Bioon Group, a Shanghai-based web media platform and service provider focused in the bio-technology industry. BioInsight conducts research surveys and industry planning, and provides competitor intelligence and industry database services. See footnote one to this section for the background information of Devott.

---

## INDUSTRY OVERVIEW

---

The commercial business park market in Qingdao has a relatively short history of less than ten years. As the Qingdao local government is focused on the development of high-technology industry, Strategic Emerging Industries and the ocean technology, the city has become a destination for the outsourcing industry and other industries. The city has the imminent need to develop more commercial business parks during the upgrading and restructuring of local industries. The rapid growth of its BPO, ITO and KPO sectors is expected to create significant demands for commercial business parks. According to the Savills Report, we ranked third in Qingdao as of December 31, 2013 among commercial business park developers and operators in terms of the total GFA of completed projects, projects under development and projects planned for future development. The Qingdao local government is developing the West Coast Economic Development Zone where all of our Qingdao projects are located and has successfully attracted a number of leading enterprises in the industries of software development, service outsourcing and information technologies to establish their businesses there. The presence of the leading enterprises there further attracts other companies in the same or similar industries as well as their suppliers and service providers along the relevant industry value-chains to relocate to there. Furthermore, we entered into the project framework agreement with the Qingdao local government in relation to business park development and received from them incentives and benefits in relation to various aspects of the development of our projects there. The Qingdao local government has also supported us to develop the Qingdao Marine & Science Park focusing on the ocean technology industry.

### Shenyang

Shenyang is the capital city of Liaoning province with a population of approximately 7.2 million in 2012. It is an economic center in north-east China with easy access to local talent reserve. It is also China's important base of the equipment manufacturing industry and, together with a number of surrounding cities, forms the Shenyang Economic Zone.

The commercial business park development industry in Shenyang is in the early stages of growth with a limited number of projects located in the Shenbei New District (瀋北新區) and the Hunnan New District (渾南新區). The size of the commercial business park market in Shenyang is expected to expand considerably in the coming years. A large portion of new commercial business parks is estimated to be used as offices for headquarters and business spaces for BPO activities. According to the Savills Report, we ranked third in Shenyang as of December 31, 2013 among commercial business park developers and operators in terms of the total GFA of completed projects, projects under development and projects planned for future development. Global corporations and China leading enterprises in the industries of information technology and software development have invested significant amounts to establish their businesses in the Shenbei New District where our project is located, which accelerates the upgrading of local industrial structure and development of our target industries in that district. We have also entered into the project framework agreement with the Shenyang local government and received incentives and benefits in relation to various aspects of the development of our projects there.

---

## INDUSTRY OVERVIEW

---

### Hefei

Hefei is the capital city of Anhui province with a population of approximately 7.6 million in 2012. Compared to other Chinese cities, it has the advantages of a large city size, a rich cultural heritage and easy access to deep local talent reserve. Hefei became a part of the Yangtze River Delta Economic Circle in 2010. Various industries such as automobile manufacturing, equipment manufacturing, domestic appliances, new materials and energy, information technology and software have begun to take shape during last three decades. Hefei is one of the 21 Service Outsourcing Model Cities in the PRC as approved by State Council and the first scientific and technological innovation pilot city in the PRC. According to Devott, Hefei is one of the top ten cities in China whose outsourcing industry will experience the most rapid growth. The total value of outsourcing contracts in Hefei increased by 76.5% to US\$1,070.0 million in 2012, as compared to that of 2011. The Hefei local government aims to increase the total value of outsourcing contracts to US\$2,800.0 million by the end of 2017 with approximately 12,000 outsourcing service companies and 180,000 people working in the industry.

According to the Savills Report, the commercial business park development industry in Hefei is in the early stage of growth with a limited number of developments. The size of the commercial business park market in Hefei is expected to expand in the coming years. According to the Savills Report, we ranked second in Hefei as of December 31, 2013 among commercial business park developers and operators in terms of the total GFA of completed projects, projects under development and projects planned for future development. Different types of parks for BPO services, software development and other industries are expected to be developed there in the near future. The Hefei local government has actively promoted the outsourcing industry including, among others, financial back-office services and information technologies, which our project, the Hefei Financial Harbour, is focused on. A number of large state-owned banks and leading financial institutions have recently established their presence in the Hefei Binhu New District where our project is located. Their presence in the district further attracts other outsourcing service companies in the same or similar industries as well as their suppliers and service providers along the relevant industry value-chains to relocate to there. We have also entered into the project framework agreement with the Hefei local government and received incentives and benefits in relation to various aspects of the development of our projects there.

### Huangshi

Huangshi is located in the southeastern part of Hubei province with a population of approximately 2.4 million in 2012. Its traditional industry was focused on the manufacture of iron and copper through metallurgical processes, and the city has undergone upgrading of local industry structures. Huangshi is located approximately 80 kilometers south-east of Wuhan. Its proximity to Wuhan and location along major rail lines and the Yangtze River make Huangshi an important logistics, distribution, and transportation hub.

---

## INDUSTRY OVERVIEW

---

Most commercial business parks in Huangshi are still in a planning and developing stage. The Huangshi OVU Science and Technology Union City, one of our projects planned for future development, is the first major local commercial business park project. According to the Savills Report, we ranked first in Huangshi as of December 31, 2013 among commercial business park developers and operators in terms of the total GFA of completed projects, projects under development and projects planned for future development. We have entered into the project framework agreement with the Huangshi local government and received incentives and benefits from it in relation to various aspects of the development of our projects in the city. Savills expects there will be significant demand for business park in Huangshi because of the easy transportation to the city from Wuhan, its competitive cost advantages and the growth potential for local commercial business park market.

### **Ezhou**

Ezhou is located in the southeastern part of Hubei province with a population of approximately 1.1 million in 2012. As the closest city to Wuhan, Ezhou has a strong economic connection with the East Lake High Technology Development Zone. Wuhan, Huangshi and Ezhou, together with six other cities in Hubei province, form the Wuhan City Circle as a regional economic union. Local government plans to develop commercial business parks to upgrade local industrial structure and drive up the local economy.

Most commercial business park projects are still in a planning stage and need investments. The Ezhou OVU Science and Technology City, one of our projects under development, is expected to be the largest commercial business park project in the city. According to the Savills Report, we ranked first in Ezhou as of December 31, 2013 among commercial business park developers and operators in terms of the total GFA of completed projects, projects under development and projects planned for future development. The Ezhou local government has successfully attracted a number of leading enterprises in Strategic Emerging Industries to establish their businesses in the Hubei Gedian High-Technology Industrial Development Zone where our project is located. The presence of the leading enterprises there further draws other companies in the same or similar industries as well as their suppliers and service providers along the relevant industry value-chains to relocate to there. Given the convenient access to the city from Wuhan, its competitive cost advantages and the growth potential for local commercial business park market, Savills expects there will be significant demand for business park in Ezhou.

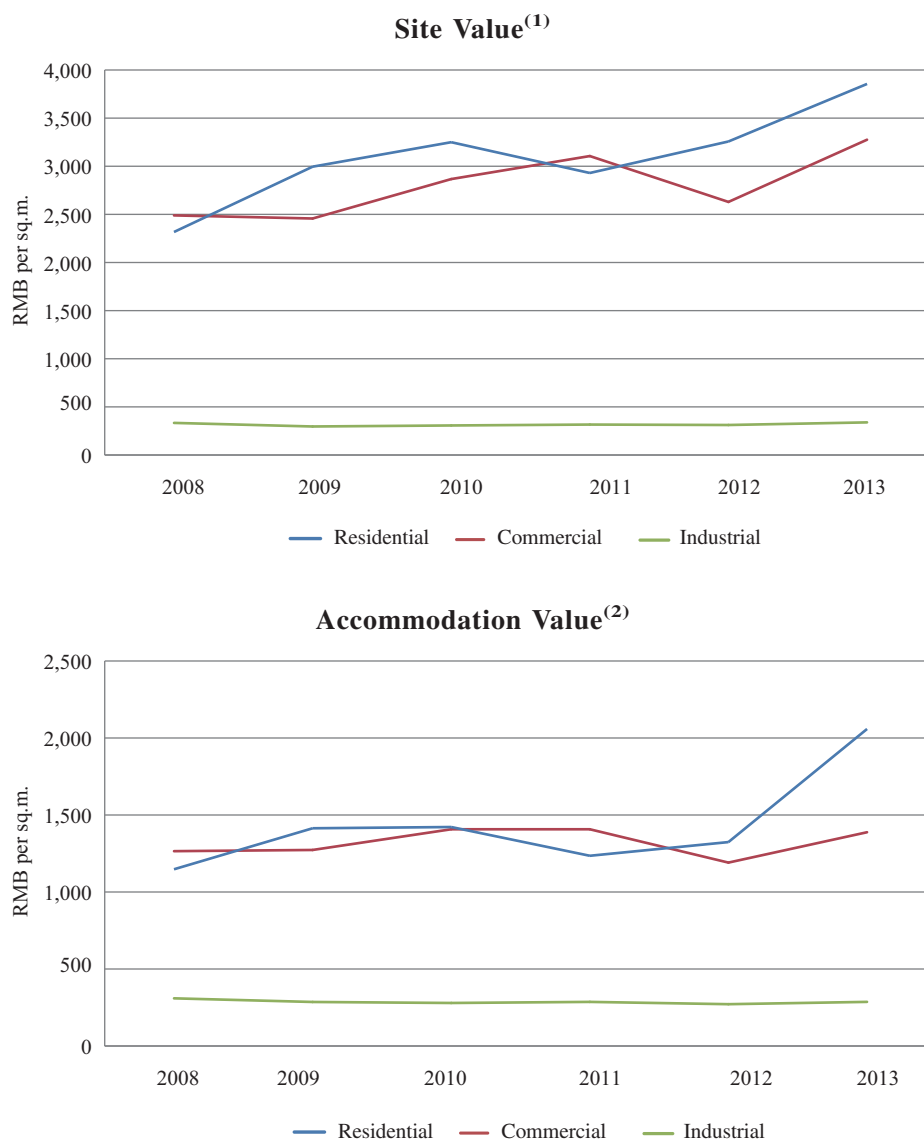
---

## INDUSTRY OVERVIEW

---

### COST OF LAND

Land cost directly affects the operating results and business growth of commercial business park developers and operators, while the effect of construction material cost is relatively insignificant. The following charts set forth the PRC average land prices for industrial, commercial and residential uses in terms of site value and accommodation value from 2008 to 2013 according to land transaction records of 97 Chinese cities.



Source: CREIS as compiled by Savills

Notes:

- (1) The average land price in terms of site value is calculated by dividing the land price by total land area.
- (2) The average land price in terms of accommodation value is calculated by dividing the land price by total permitted GFA for construction, which represents the actual land cost for a development project.

---

## INDUSTRY OVERVIEW

---

From 2008 to 2013, the PRC average land prices for residential, commercial and industrial uses in terms of site value increased with a CAGR of approximately 12.0%, 6.3% and 0.4%, respectively, and the PRC average land prices for the same uses in terms of accommodation value increased with a CAGR of approximately 13.9%, 2.1% and -1.7%, respectively. The PRC average land prices for industrial and commercial uses, particularly in lower tier cities, remained relatively stable during such period. Furthermore, the PRC average land prices for residential and commercial uses increased from 2012 to 2013 driven primarily by substantial increases in land prices in first-tier cities. Land parcels for business parks are primarily granted for industrial use. In some cases, land parcels for business parks are granted for commercial use and a small portion of land parcels for business parks are granted for residential use. Savills is of the view that the increases in the PRC average land prices for residential and commercial uses from 2008 to 2013 had an insignificant effect on the PRC commercial business park market because for commercial business park developers and operators, residential and commercial properties were complementary to business park development and the relevant land costs constituted only a small fraction of land costs for the overall development.

As the land parcels for most of our business park projects were granted for industrial use and the PRC average land prices for such use were relatively stable during the Track Record Period, we maintained good control over land costs throughout the development of our large-scale business parks. The ASP and rental prices of properties in our business parks increased during the Track Record Period driven by the selling and rental prices of office space in the core urban areas in Chinese cities.

## COSTS OF CONSTRUCTION MATERIALS

### Steel Prices

The PRC steel prices have been fluctuated from 2003 to 2013. The chart below sets forth the spot price of PRC domestic hot rolled steel from January 2003 to December 2013 with a mid-price of RMB3,630 per tonne. Steel prices are forecasted to most likely remain low in the foreseeable future due to strong steel production capacity.



Source: Bloomberg

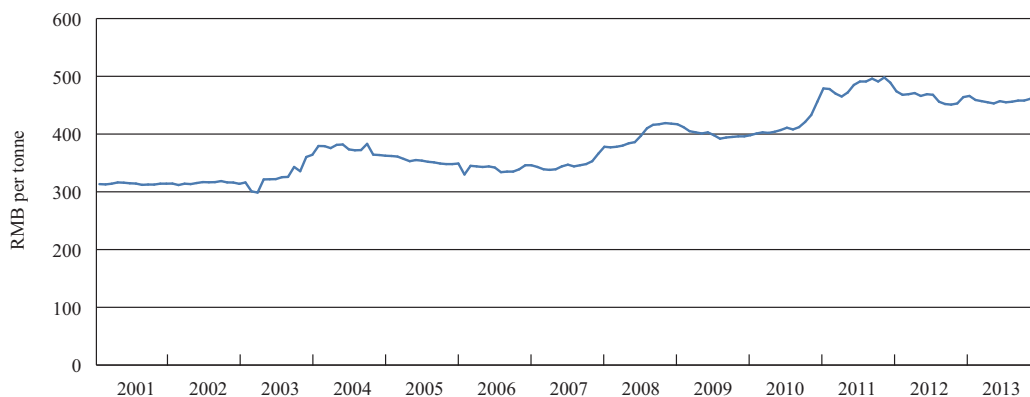
---

## INDUSTRY OVERVIEW

---

### Cement Prices

According to the Savills Report, the PRC cement prices increased only a nominal 21.8% over the past ten years and a nominal 14% over the past five years primarily because substantial additions to cement production capacity during the same period led to slow growth in prices. The PRC cement prices are expected to remain largely flat in the foreseeable future due to strong production capacity and a stable demand. The chart below sets forth the average price of common portland cement in 36 cities in China from January 2001 to December 2013.



Source: NDRC; CEIC<sup>(1)</sup>

Note:

- (1) CEIC Data Company Ltd. (CEIC) is an independent financial information service firm that specializes in economic databases of emerging and developed markets worldwide.

### PRC GOVERNMENT'S AUSTERITY MEASURES ON THE PROPERTY MARKET

The PRC Government has in recent years introduced certain policies and implemented various measures to control the substantial increases in property prices in the PRC, including, among others, further tightening the requirements for lending to property developers, and increases in the proportion of down payments of purchase prices and mortgage interest rates. In February 2013, the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the Real Estate Market" to strengthen the management and control over the PRC property market. See the subsection headed "Regulations – Laws and Regulations Relating to Real Estate Development – Measures on Stabilizing Housing Price" in this prospectus for further discussion. The PRC Government has not introduced further major tightening policies or measures since February 2013. As of April 1, 2013, 32 cities, including our target cities (Wuhan, Qingdao, Shenyang and Hefei) have issued relevant implementing rules in accordance with the notice.

---

## INDUSTRY OVERVIEW

---

One of the main objectives of these policies and measures is to direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the residential property markets. As a result, the impact of these policies and measures on the PRC industrial property market where we develop and operate our business park projects is immaterial. According to Savills, from 2011 to 2012, the ASP of office properties sold in Qingdao, Shenyang and Huangshi increased by approximately -0.8%, 6.7% and 137.6%, and the total GFA sold of office properties in these cities increased by approximately 166.9%, 107.3% and 503.7%, respectively. There was a general increasing trend of the GFA sold for our projects and the ASP, net of business tax, of the GFA sold for our projects during the Track Record Period.

Moreover, although these policies and measures have affected the availability of funding for property developers for land acquisitions and development, we did not experience any undue difficulty in obtaining bank loans and other borrowings to finance our expenditures in relation to property development during the Track Record Period. The PRC Government has not further increased the required proportion (50%) of down payments of purchase prices, nor increased requisite mortgage interest rates (basic rate plus 10% or above with a term of ten years) with respect to purchase of industrial properties. Accordingly, we believe that the introduction of the tightening policies and measures has not affected the availability of credit facilities to our potential customers or increased their interest expenses.

These tightening policies and measures that are applicable to purchases of properties in our residential projects have not had any material effect on our property development business due to the following reasons. During the Track Record Period, there was a general decrease in the contribution from sales of residential properties to the turnover from sales of properties in all of our projects, as we focus on developing business parks and our residential projects are generally complementary to our business park developments. In addition, we develop small to medium-sized residential units with the primary purpose to cater to the housing needs of our customers' employees working in our business parks and to let them purchase such units at reasonably affordable prices. Our PRC legal advisors, Jingtian & Gongcheng, have advised us that under these policies and measures, when the number of such small to medium-sized residential units exceed 70% of the total number of units in a residential project, banks are required to provide preferential financing for development of such project. Furthermore, local governments in our target cities generally support us to develop such residential projects that are in proximity to our business park developments and have provided us with incentives in relation to various aspects of our developments.

Based on the above, our Directors are of the view that these tightening policies and measures have not had, and are not expected to have, any material effect on our property development business and working capital position.

---

## INDUSTRY OVERVIEW

---

### SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Savills, an independent and qualified market research consulting firm, to conduct a detailed analysis of, and report on, the commercial business park market in China and in the cities where our existing and planned commercial business parks are located, namely, Wuhan, Qingdao, Shenyang, Huangshi, Ezhou and Hefei. We have included certain information from the Savills Report in this section. In connection with the market research services provided, we have paid a fee of approximately RMB600,000 to Savills. Savills has prepared the Savills Report based on various government publications, site visits and interviews as well as Savills' proprietary data on the relevant property markets. Savills has also adopted assumptions when some information is not available or falls outside the scope of its expertise. While Savills has adopted assumptions based upon careful consideration of known factors, Savills cannot rule out the risk that any of the assumptions may be incorrect. The Savills Report also contains a significant volume of information which is directly derived from secondary sources or based on other third-party information; Savills does not represent and warrant as to the accuracy or completeness of such information. In preparing the Savills Report, Savills has confirmed that it has carried out research as per Savills standard market research methodology to enhance the credibility and accuracy of the forecasts. The steps used in the research process include (1) the collection of information and data from various sources to form the basis for forecast, (2) analysis of data for the understanding and hindsight on market trends and development, (3) identification of market growth drivers and market constraints, (4) integration of opinion through industry participants' and experts' interviews and discussions, and (5) verification of data and forecast by cross-checking against other available data and information before finalization of the report.