

## INDUSTRY OVERVIEW

*The information in the section below has been derived, in part, from official government sources unless otherwise indicated. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering and no representation is given as to its accuracy.*

### THE ECONOMY OF CHINA

#### Overview

The economy of China has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's accession to the WTO in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP has increased from approximately RMB13,582.3 billion in 2003 to approximately RMB30,067.0 billion in 2008 at a CAGR of approximately 17.2%.

The Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region are four of the most economically prosperous and vibrant regions in China. The table below sets forth the GDP data for China and the aforementioned four regions for the years indicated:

	Nominal GDP (in RMB billions)						CAGR
	2003	2004	2005	2006	2007	2008	2003 to 2008
PRC .....	13,582.3	15,987.8	18,308.5	21,087.1	24,661.9	30,067.0	17.2%
Chengdu-Chongqing Economic Zone .....	397.8	472.4	544.1	624.2	743.6	899.8	17.7%
Pearl River Delta region .....	1,295.7	1,548.5	1,824.5	2,160.9	2,560.7	2,974.6	18.1%
Yangtze River Delta region ..	2,884.2	3,472.5	4,090.8	4,775.4	5,671.0	6,394.0	17.3%
Beijing-Tianjin metropolitan region .....	741.1	899.2	1,055.0	1,220.8	1,402.4	1,684.2	17.8%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

The table below sets forth the per capita disposable annual income for urban households for China and the aforementioned four regions for the years indicated:

	Per capita disposable income of urban households (in RMB)					
	2003	2004	2005	2006	2007	2008
PRC .....	8,472	9,422	10,493	11,760	13,786	15,781
Chengdu-Chongqing Economic Zone .....	8,514	9,544	10,555	11,914	14,065	16,090
Pearl River Delta region .....	15,333 <sup>(1)</sup>	17,886	19,372	21,330	23,245	23,496
Yangtze River Delta region .....	11,286	12,640	14,489	16,369	18,764	21,119
Beijing-Tianjin metropolitan region .....	12,420	14,034	15,627	17,673	19,704	22,553

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Note:

(1) Exclude data for Jiangmen in Guangdong province

### **Importance of Small- and Medium-Enterprises in the Economy of China**

Small and medium enterprises<sup>(1)</sup> are important pillars in the PRC economy. According to the industry report prepared by China Real Estate Top 10 Research Team, the number of employees in small- and medium-enterprises represents over 77% of the total employees of “above-scale enterprises”<sup>(2)</sup>, revenues from small- and medium-enterprises represent over 62% of the total revenues of above-scale enterprises; and gross output value of small- and medium-enterprises represents over 63% of such value of above-scale enterprises.

## **THE PROPERTY MARKET IN CHINA**

### **Overview**

We believe the economic growth of China, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of China’s property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents who will own private properties will continue to increase over the coming years in the near future. The table below sets forth selected figures showing China’s urbanization rate and the increase in disposable income levels of the urban population in China for the periods indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Urban population (in millions) . . . . .	523.8	542.8	562.1	577.1	593.8	606.7
Total population (in millions) . . . . .	1,292.3	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0
Urbanization rate (%) . . . . .	40.5%	41.8%	43.0%	43.9%	44.9%	45.7%
Annual disposable income of urban households (in RMB millions) . . . . .	4,437.6	5,114.3	5,898.1	6,786.1	8,186.1	9,574.3

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Pearl River Delta region is the earliest area in China that has experienced real estate marketization. As China’s economy continues to develop and mature, there was an increasing shift in real estate activities from the southern part of China to the north. As a result, the Yangtze River Delta region and Beijing-Tianjin metropolitan region has joined the Pearl River Delta region to form three of the most prosperous zones in China. Due to various factors that include varying regional economic development level, city development characteristics and maturity of the different real estate markets, the property markets in the PRC possesses distinct regional differences. However, major cities in the three traditional economic zones of the Yangtze River Delta region, the Pearl River Delta region and the Beijing-Tianjin metropolitan region are still recognized as leading cities in the real estate market in China. The historical and recent development and trend in the real estate market in China has also shown an increase of activities from the eastern part of China to the west and from the coastal regions to the inland regions. Such trend, along with the implementation of the Western Development Policy by the PRC government to promote the development of China’s western region, the Chengdu-Chongqing Economic Zone has in recent years gradually attracted significant investment and has become the business hub of western China.

(1) According to the Notice on Issuance of Interim Provisions of Standards for Small- and Medium-Enterprises (關於印發中小企業標準暫行規定的通知) issued by the State Economic and Trade Commission, State Development Planning Commission (now known as NDRC), MOF and National Bureau of Statistics of China, small- and medium-enterprises are defined based on the number of employees, revenues and the total asset value of such enterprises.

(2) According to the section entitled “Description” in 2005 Statistic Yearbook of Small and Medium Enterprises, 2006 Statistic Yearbook of Small and Medium Enterprises, and 2007 Statistic Yearbook of Small and Medium Enterprises, “above-scale enterprises” refer to all of the state-owned enterprises and the non-state-owned enterprises with annual revenue of over RMB5.0 million.

## INDUSTRY OVERVIEW

The table below sets forth the property development investment for China and the aforementioned four regions for the years indicated:

	Property Development Investment						2005-2008 CAGR
	2003	2004	2005	2006	2007	2008	
	(in RMB billions)						
PRC .....	1,015.4	1,315.8	1,590.9	1,942.2	2,528.0	3,058.0	24.3%
Chengdu-Chongqing Economic Zone .....	57.3	68.5	96.8	124.9	176.0	190.4	25.3%
Pearl River Delta region .....	72.6	126.7	137.8	165.7	223.2	265.2	24.4%
Yangtze River Delta region .....	269.1	374.0	424.8	475.7	564.5	643.1	14.8%
Beijing-Tianjin metropolitan region .....	141.4	173.7	185.3	212.2	250.1	256.2	11.4%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

### Property Price and Supply

The average price per square meter for the property market in China was approximately RMB3,877 in 2008, compared to approximately RMB2,379 in 2003. Supply of properties in China also increased from approximately 414.6 million square meters in 2003 to approximately 585.0 million square meters in 2008.

The table below sets forth selected data relating to the PRC property market for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA completed (in million square meters) .....	395.1	424.6	487.9	530.2	582.4	585.0
Total GFA sold (in million square meters) .....	337.2	382.3	557.7	606.3	761.9	620.9
GFA of residential properties sold (in million square meters) .....	285.0	338.2	497.9	543.9	691.0	558.9
GFA of office buildings sold (in million square meters) .....	6.0	6.9	11.1	12.1	14.5	11.1
Average price of properties (in RMB per square meter) .....	2,379	2,714	2,997	3,383	3,885	3,877
Average price of residential properties (in RMB per square meter) .....	2,212	2,549	3,010	3,132	3,665	3,655
Average price of office buildings (in RMB per square meter) .....	4,293	5,533	6,995	8,155	8,701	8,595

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

### THE PROPERTY MARKET IN THE CHENGDU-CHONGQING ECONOMIC ZONE

The Chengdu-Chongqing Economic Zone centers around the cities of Chengdu and Chongqing and occupies an area of approximately 155,000 square kilometers. The region has a GDP close to RMB900 billion in 2008 and has a population of over 40 million. The Chinese government plans to construct various water conservancy facilities and energy supply system in the Chengdu-Chongqing Economic Zone and also plans to develop the region into a comprehensive transportation hub and logistics center. The Chengdu-Chongqing Economic Zone is an important base for China's advanced equipment manufacturing industry, modern service industry, high-tech industry and agriculture industry. The region is also a national pilot area for the co-ordination of urban and rural comprehensive reform and was classified as a national protected ecological security zone. The Chengdu-Chongqing Economic Zone serves as the primary success model as to western China's development potential.

Sale of properties in the Chengdu-Chongqing Economic Zone has experienced an upward trend in recent years. The total GFA of properties sold in the Chengdu-Chongqing Economic Zone increased from approximately 22.8 million square meters in 2003 to approximately 41.5 million square meters in

## INDUSTRY OVERVIEW

2008, representing a CAGR of approximately 12.7%. The table below sets forth selected data relating to the property market in the Chengdu-Chongqing Economic Zone for the years indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA sold (in million square meters) . . . . .	22.8	20.7	21.2	37.7	58.0	41.5
Total sales revenue (in RMB billions) . . . . .	41.3	41.8	47.0	105.6	192.4	142.7
Average price of properties (in RMB per square meter) . . . . .	1,806	2,017	2,220	2,800	3,320	3,441
Investment in properties (in RMB billions) . . . . .	57.3	68.5	96.8	124.9	176.0	190.4

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

### Chengdu

Chengdu is the capital city of Sichuan Province and is located at the western edge of the Sichuan Basin, with an area of approximately 12,390 square kilometers. In 2007, the central government of the PRC designated Chengdu as a National Experimental Zone of Comprehensive Coordinated Reforms for Balanced Urban and Rural Development in recognition of Chengdu's comprehensive strength and development potential in western China. It had a population of approximately 12.7 million in 2008. Chengdu has experienced significant GDP growth rate in recent years from approximately RMB170.5 billion in 2003 to approximately RMB390.1 billion in 2008, representing a CAGR of approximately 18.0%, exceeding the CAGR of national GDP of approximately 17.2% over the same period.

In line with the rapid economic growth of Chengdu, the volume of sales of local properties has experienced an upward trend in recent years. According to the Chengdu Bureau of Statistics, the total GFA of properties sold in Chengdu increased from approximately 9.7 million square meters in 2003 to approximately 12.7 million square meters in 2008, representing a CAGR of approximately 5.6%. The table below sets forth data relating to the property market in Chengdu for the periods indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA of sold (in million square meters) . . . . .	9.7	7.6	5.6	15.3	22.4	12.7
Total sales revenue (in RMB billions) . . . . .	20.3	18.6	15.8	55.1	95.7	62.7
Average price of properties (in RMB per square meter) . . . . .	2,096	2,452	2,818	3,592	4,267	4,921
Investment in properties (in RMB billions) . . . . .	24.5	29.1	45.1	61.9	91.0	91.3
Total GFA of office buildings sold (in thousand square meters) . . . . .	63.0	87.0	164.2	166.0	367.9	244.9
Total sales revenue from office buildings (in RMB billions) . . . . .	0.21	0.37	0.86	0.76	2.14	1.41
Average price of office buildings (in RMB per square meter) . . . . .	3,381	4,279	5,964	4,578	5,828	5,745
Investment in office buildings (in RMB billions) . . . . .	0.83	0.99	1.46	1.52	1.85	1.75

Sources: National Bureau of Statistics of China, Chengdu Bureau of Statistics

### THE PROPERTY MARKET IN THE PEARL RIVER DELTA REGION

The Pearl River Delta region is one of the leading economic regions and a major manufacturing center of China. It covers nine prefectures of the province of Guangdong, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing, and is adjacent to Hong Kong and Macau. It had a population of approximately 40 million in 2008 and occupies an area of approximately 41,500 square meters. The Chinese government aims to make the Pearl River Delta region a shipping, logistics, trade, exhibition, tourism and innovation center for mutual development with Hong Kong and Macau, and position the region as a pioneer for carrying out various reforms and a key economic center of China.

## INDUSTRY OVERVIEW

Sale of properties in the Pearl River Delta region has experienced an upward trend in recent years. The total GFA of properties sold in the Pearl River Delta region increased from approximately 26.8 million square meters in 2003 to approximately 37.7 million square meters in 2008, representing a CAGR of approximately 7.1%. The table below sets forth selected data relating to the property market in the Pearl River Delta region for the years indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA of sold (in million square meters) . . . . .	26.8	25.0	34.1	42.2	50.0	37.7
Total sales revenue (in RMB billions) . . . . .	115.5	99.1	169.8	232.5	337.8	262.3
Average price of properties (in RMB per square meter) . . .	4,314	3,958	4,985	5,505	6,756	6,967
Investment in properties (in RMB billions) . . . . .	72.6	126.7	137.8	165.7	223.2	265.2

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

### Shenzhen

Shenzhen is located in the southern part of Guangdong Province and borders Hong Kong with an area of approximately 1,953 square kilometers. It had a population of approximately 8.8 million in 2008. Shenzhen has experienced GDP growth in recent years from approximately RMB358.6 billion in 2003 to approximately RMB780.7 billion in 2008, representing a CAGR of approximately 16.8%. Shenzhen's GDP has ranked fourth in all cities in China from 2001 to 2006. Furthermore, in 2007, Shenzhen became the first and only city in China with a per capita GDP of over US\$10,000 according to various news reports.

In line with the economic growth of Shenzhen, property price has increased significantly in recent years. According to the Shenzhen Bureau of Statistics, the average price of properties increased from approximately RMB6,255 per square meters in 2003 to RMB12,665 per square meters in 2008, representing a CAGR of approximately 15.2%. The table below sets forth data relating to the property market in Shenzhen for the periods indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA of sold (in million square meters) . . . . .	4.1	3.8	11.2	7.6	5.6	4.7
Total sales revenue (in RMB billions) . . . . .	25.8	25.8	85.1	71.0	78.0	59.1
Average price of properties (in RMB per square meter) . . .	6,255	6,756	7,582	9,384	14,050	12,665
Investment in properties (in RMB billions) . . . . .	41.0	43.2	42.4	46.1	46.1	44.0

Sources: National Bureau of Statistics of China, Shenzhen Bureau of Statistics

### Dongguan

Dongguan is a prefecture-level city located in central Guangdong province. It is an important industrial city located in the Pearl River Delta region and borders the provincial capital of Guangzhou with an area of approximately 2,465 square kilometers. It had a population of approximately 6.9 million in 2008. Dongguan has experienced significant GDP growth in recent years from approximately RMB145.3 billion in 2003 to approximately RMB370.3 billion in 2008, representing a CAGR of approximately 20.6% and exceeding the CAGR of national GDP of approximately 17.2% over the same period.

## INDUSTRY OVERVIEW

In line with the economic growth of Dongguan, the volume of sales of local properties has experienced an upward trend in recent years. According to the Dongguan Bureau of Statistics, the total GFA of properties sold in Dongguan increased from approximately 1.6 million square meters in 2003 to approximately 5.1 million square meters in 2008, representing a CAGR of approximately 25.3%. The table below sets forth data relating to the property market in Dongguan for the years indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA of sold (in million square meters) . . . . .	1.6	2.6	3.2	3.8	5.7	5.1
Total sales revenue (in RMB billions) . . . . .	5.4	8.5	11.9	15.9	29.5	28.4
Average price of properties (in RMB per square meter) . . .	3,288	3,336	3,710	4,187	5,148	5,567
Investment in properties (in RMB billions) . . . . .	5.5	11.4	14.4	16.4	20.9	27.0

Sources: National Bureau of Statistics of China, Dongguan Bureau of Statistics

### Huizhou

Huizhou is a prefecture-level city located in the south-eastern part of Guangdong Province with an area of approximately 11,200 square kilometers. It had a population of approximately 3.9 million in 2008. Huizhou has experienced GDP growth rate in recent years from approximately RMB58.7 billion in 2003 to approximately RMB129.0 billion in 2008, representing a CAGR of approximately 17.1%.

In line with the economic growth of Huizhou, the volume of sales of local properties has experienced an upward trend in recent years. According to the Huizhou Bureau of Statistics, the total GFA of properties sold in Huizhou increased from approximately 0.7 million square meters in 2003 to approximately 3.0 million square meters in 2008, representing a CAGR of approximately 32.4%. The table below sets forth data relating to the property market in Huizhou for the years indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA sold (in million square meters) . . . . .	0.7	1.0	1.4	2.3	3.9	3.0
Total Sales Revenue (in RMB billions) . . . . .	1.6	2.3	3.6	6.7	15.6	12.2
Average price in properties (in RMB per square meter) . . .	2,143	2,263	2,597	2,942	3,998	4,120
Investment in properties (in RMB billions) . . . . .	2.3	3.0	4.4	6.8	13.8	18.7

Sources: National Bureau of Statistics of China, Huizhou Bureau of Statistics

### THE PROPERTY MARKET IN THE YANGTZE RIVER DELTA REGION

The Yangtze River Delta region has one of the strongest regional economies in China. It includes two provinces, Jiangsu and Zhejiang, and one city, Shanghai. Its land area accounts for approximately 1.0% of China's total land area while its population accounts for approximately 11.1% of China's total population and its GDP accounts for approximately 21.3% of China's total GDP. The Chinese government has positioned the Yangtze River Delta region as China's strongest economic, financial, trading and shipping centers.

Sale of properties in the Yangtze River Delta region has experienced an upward trend in recent years. The total GFA of properties sold in the Yangtze River Delta region increased from approximately 52.8 million square meters in 2003 to approximately 105.9 million square meters in 2008, representing a CAGR of approximately 14.9%. The table below sets forth selected data relating to the property market in the Yangtze River Delta Region for the years indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA of sold (in million square meters) . . . . .	52.8	92.7	116.0	126.7	158.4	105.9
Total sales revenue (in RMB billion) . . . . .	187.0	364.4	530.1	606.1	877.5	598.1
Average price of properties (in RMB per square meter) . . .	3,539	3,929	4,570	4,783	5,542	5,649
Investment in properties (in RMB billions) . . . . .	269.1	374.0	424.8	475.7	564.5	643.1

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

## Yixing

Yixing is a county-level city in Wuxi, Jiangsu Province, with an area of approximately 2,177 square kilometers. It had a population of approximately 1.3 million as of December 31, 2008. Yixing has experienced significant GDP growth in recent years from approximately RMB25.4 billion in 2003 to approximately RMB60.0 billion in 2008, representing a CAGR of approximately 18.8% and exceeding the CAGR of national GDP of approximately 17.2% over the same period.

In line with the economic growth of Yixing, the volume of sales of local properties has experienced an upward trend in recent years. According to the Yixing Bureau of Statistics, the total GFA of properties sold in Yixing increased from approximately 0.6 million square meters in 2003 to approximately 1.6 million square meters in 2008, representing a CAGR of approximately 21.4%. The table below sets forth data relating to the property market in Yixing for the periods indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA of sold (in million square meters) . . . . .	0.6	0.7	0.9	1.3	0.7	1.6
Total sales revenue (in RMB billions) . . . . .	0.9	1.4	2.0	3.8	2.3	5.1
Average price of properties (in RMB per square meter) . . .	n/a <sup>(1)</sup>	1,855	2,207	2,919	3,226	3,417
Investment in properties (in RMB billions) . . . . .	1.3	2.0	2.4	3.4	3.8	3.6

Sources: National Bureau of Statistics of China, Yixing Bureau of Statistics

Note:

(1) Data not available

## THE PROPERTY MARKET IN THE BEIJING-TIANJIN METROPOLITAN REGION

Beijing-Tianjin metropolitan region centers around two cities, Beijing and Tianjin, which are the most economically vibrant cities in northern China. In 2008, the region has a GDP of RMB1,684 billion and accounts for approximately 5.6% of China's total GDP.

Sale of properties in the Beijing-Tianjin metropolitan region has experienced an upward trend in recent years. The average price of properties increased from approximately RMB4,102 per square meter in 2003 to approximately RMB9,320 per square meter in 2008, representing a CAGR of approximately 17.8%. The table below sets forth selected data relating to the property market in the Beijing-Tianjin metropolitan region for the years indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total GFA of sold (in million square meters) . . . . .	26.8	33.2	45.3	40.7	37.3	25.9
Total sales revenue (in RMB billions) . . . . .	110.0	151.3	269.1	285.5	341.4	241.1
Average price of properties (in RMB per square meter) . . .	4,102	4,558	5,939	7,022	9,156	9,320
Investment in properties (in RMB billions) . . . . .	141.4	173.7	185.3	212.2	250.1	256.2

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

## Tianjin

Tianjin is one of the four municipalities of China that are directly under the central government and have provincial-level status, with an area of approximately 11,920 square kilometers. It had a population of approximately 11.8 million as of December 31, 2008. The city's urban area is located along the Haihe River and its ports are located on Bohai Gulf in the Pacific Ocean. Tianjin has experienced significant GDP growth in recent years from approximately RMB238.7 billion in 2003 to approximately RMB635.4 billion in 2008, representing a CAGR of approximately 21.6% and exceeding the CAGR of national GDP of approximately 17.2% over the same period.

In line with the economic growth of Tianjin, the volume of sales of local properties has experienced an upward trend in recent years. According to the Tianjin Bureau of Statistics, the total GFA of properties sold in Tianjin increased from approximately 7.9 million square meters in 2003 to

## INDUSTRY OVERVIEW

approximately 12.5 million square meters in 2008, representing a CAGR of approximately 9.6%. The table below sets forth selected data relating to the property market in Tianjin for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters) . . . . .	7.9	8.5	14.1	14.6	15.5	12.5
Total sales revenue (in RMB billions) . . . . .	20.2	26.4	57.1	69.6	89.9	75.3
Average price of properties (in RMB per square meters) . . . . .	2,572	3,115	4,055	4,774	5,794	6,015
Investment in properties (in RMB billions) . . . . .	21.1	26.4	32.8	40.2	50.5	65.4
Total GFA of office buildings sold (in thousand square meters) . . . . .	157.0	169.0	434.7	371.0	429.5	293.0
Total sales revenue from office buildings (in RMB billions) . . . . .	0.89	0.94	2.18	2.29	3.18	2.87
Average price of office buildings (in RMB per square meter) . . . . .	5,663	5,551	4,976	6,171	7,411	9,783
Investment in office buildings (in RMB billions) . . . . .	0.76	1.58	1.20	2.37	3.46	3.10

Sources: National Bureau of Statistics of China, Tianjin Bureau of Statistics

### THE PROPERTY AGENCY SERVICES INDUSTRY IN CHINA

As a result of the real estate market growth in China, the property agency services industry in China has experienced significant growth as well in recent years. However, the property consulting and advisory services market in China is at an early stage of development. Sales, marketing and other commercial data relating to transferable land use rights or development projects are scattered among various governmental agencies and private parties with varying degrees of transparency. Top property agency services companies who can provide services that encompass the entire project development, marketing and sales process have a visible competitive advantage, as competition for these projects is based primarily on a property agency services company's market research capability and its ability to provide a full range of services. As a result, we believe there is a strong market demand for professional property agency services companies that can provide consolidated information and analysis of unprocessed real estate market data covering a broad range of geographic markets in China.

### THE PROPERTY MANAGEMENT INDUSTRY IN CHINA

Against the backdrop of the development of the underlying property market and the improvement in living standards as a result of rapid economic growth, there has been a growing demand for property management services in China in recent years. However, the industry remains at an early stage of development, characterized by an industry structure that is highly fragmented with a large number of relatively small participants operating in a competitive environment. According to the Survey Report on Property Management Industry (物業管理行業生存狀況調查報告) issued by the China Property Management Association (中國物業管理協會) in May 2008, of the 4,600 property management companies in China that participated in the survey, approximately 5.8% were established between 1981 to 1994, approximately 76.0% were established between 1994 to 2004, and approximately 18.2% were established between 2004 to 2007.

Our Directors are optimistic that, while competition is intense, the long-term growth prospects for the property management industry in China are promising as the underlying property market continues to develop along with China's economic growth. Our Directors also expect that, as the industry continues to develop, there will be a growing demand for quality and reliable services from property management companies with industry consolidation that eliminates small and inefficient companies and allowing companies with sufficient resources operating on economies of scale to eventually emerge as market leaders.

## **THE HOTEL SERVICES INDUSTRY IN CHINA**

The growth of the PRC economy and its tourism industry has led to a rapid development of the hotel industry in China in recent years. According to the National Bureau of Statistics of China and the National Tourism Administration of China (中國國家旅遊局), total tourism volume grew from 962 million visits in 2003 to 1,742 million visits in 2007 with a CAGR of 16.0% and total tourism revenue in China grew from RMB485 billion in 2003 to RMB1,084 billion in 2007 with a CAGR of 22.3%. As a result of the desire to benefit from an increasingly affluent domestic population as well as the influx of visitors, many foreign corporate and hotel investors, developers and operators have entered into the hotel industry in China with a hope of securing a presence in the industry. In addition, China's entry into the WTO in 2002, Beijing's successful organization of the 2008 Olympic games and Shanghai's successful bid to hold the World Expo in 2010, have served to illustrate China's importance in the world stage, have thereby furthering the strong interest and growth of the hotel industry in China, especially in major cities.