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## INDUSTRY OVERVIEW

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*We have extracted and derived the information and statistics in the section below, in part, from various official government publications. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor any of our respective affiliates or advisors, nor any party involved in have independently verified such information and statistics directly or indirectly derived from such official government publications or make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China.*

### CHINA'S ECONOMY

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's GDP increased from approximately Rmb 16.0 trillion in 2004 to approximately Rmb 30.1 trillion in 2008 at a compound annual growth rate, or CAGR, of approximately 17.1%. GDP per capita in China reached approximately Rmb 22,640 in 2008, representing an increase of approximately 19.6% over 2007. Per capita disposable income reached approximately Rmb 15,781 in 2008, representing an increase of approximately 14.5% over 2007. Investments in real estate in China were approximately Rmb 3.1 trillion in 2008, representing an increase of approximately 20.9% over 2007. You should note that the following statistical conventions apply to this section in accordance with the disclosures made by the relevant statistical agencies in China:

- Population for any locality means the total population of that locality (also known as the permanent population) unless otherwise stated;
- GDP per capita for any locality is calculated on the basis of the total population of that locality (also known as the permanent population) unless otherwise stated; and
- Per capita disposable income for any locality is based on a sample survey in such locality and does not relate to any measure of population.

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The table below sets out selected economic statistics for China for the years indicated.

	2004	2005	2006	2007	2008
GDP (Rmb in billions).....	15,987.8	18,321.7	21,192.4	24,953.0	30,067.0
Real GDP growth rate (%) .....	10.1	10.4	11.6	11.9	9.0
GDP per capita (Rmb).....	12,336	14,053	16,165	18,934	22,640 <sup>(1)</sup>
Real GDP per capita growth rate (%).....	9.4	9.8	11.0	11.4	N/A
Total imports and exports (US\$ in billions).....	1,154.6	1,421.9	1,760.4	2,173.7	2,561.6
Utilized FDI (US\$ in billions) .....	60.6	60.3	63.0	74.8	92.4
Per capita disposable income (Rmb).....	9,422	10,493	11,760	13,786	15,781
Total savings of urban households (Rmb in billions).....	11,955.5	14,105.1	16,158.7	17,253.4	21,788.5

*Source: China Statistical Yearbook 2008; Provisional figure from China Statistical Announcement 2008*

(1) The GDP per capita in 2008 was calculated by dividing the GDP by the population, while the remaining data is extracted from relevant yearbooks directly.

## CHINA'S PROPERTY MARKETS

The development of the PRC property markets did not commence until the 1990s. Prior to such reform, the PRC property development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated housing reform and, as a result, China's real estate and housing sector began the transition to a market-based system. A brief timeline of key housing reforms is set out below:

1988	The NPC amended the national constitution to permit the transfer of state-owned land use rights
1992	Sale of formerly public housing commenced in major cities
1994	The PRC government further implemented reforms and established an employer/employee-funded housing fund, and issued regulations regarding pre-sale of commodity housing in cities
1995	The PRC government issued regulations regarding the transfer of properties, establishing a regulatory framework for sale of properties
1998	The PRC government abolished the state-allocated housing policy

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- 1999            The PRC government extended the maximum mortgage term to 30 years
- The PRC government increased the maximum mortgage financing ratio from 70% to 80%
- The PRC government formalized procedures for the sale of properties in the secondary market
- 2000            The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for controlling construction quality
- 2001            The PRC government issued regulations relating to the sale of commodity properties
- 2002            The PRC government promulgated rules requiring that state-owned land use rights be granted by way of tender-auction-listing
- The PRC government eliminated the dual system for domestic and overseas home buyers in China
- 2003            The PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing
- The State Council issued a notice to promote the sustainable and healthy development of the real estate market
- 2004            The State Council issued a notice to require that real estate development projects (excluding affordable housing programs) be financed by developers’ own capital funds accounting for at least 35%, rather than 20%, of the total projected capital outlay for such projects
- The Ministry of Construction amended rules on the pre-sale of commodity housing in cities
- The CBRC issued guidelines to commercial banks to further tighten their risk control over real estate financing
- 2005            The PRC government adopted additional measures to discourage speculation in the real estate market, such as increasing the minimum down payment ratio to 30% of the total purchase price in selected cities where housing prices increased too fast, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase and prohibiting resale of unfinished properties
- 2006            The PRC government implemented additional land supply, bank financing and other measures to curb rapid increases in property prices, to encourage the development of mid-to-low-end housing and to promote healthy development of the property industry

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- 2007                    The PRC government issued regulations to increase the annual land use tax, and to start imposing such land use tax on foreign invested enterprises as well
- The Ministry of Land and Resources issued regulations that land use rights certificates may not be issued unless and until all land premium has been paid with respect to the whole land lot under a land grant contract, which effectively stopped the practice of issuing land use rights certificates in installments
- The CBRC issued notices to strengthen the administration over real estate financing, prohibiting commercial banks from extending loans to real estate developers solely for payment of land premium
- The MOFCOM and the SAFE issued a notice to further strengthen the approval requirement and supervision on foreign investment in real estate sector, which requires the filing with the MOFCOM for establishment of foreign-invested real estate entities or increase of registered capital for such entities
- 2008                    The State Council issued a circular to urge all local governments to enforce its policies on idle land, which mandate that a piece of land idle for two full years or longer must be withdrawn unconditionally subject to reuse
- The PRC government issued regulations to promote the development of real estate market and to encourage the purchase of ordinary commodity housing
- 2009                    The State Council issued a notice to require that the minimum ratio of capital fund for low-to-mid-income housing and ordinary commodity housing projects be 20% and that the minimum ratio of capital fund for other real estate projects be 30%

For additional information on housing reforms and recent regulatory developments with respect to China’s real estate industry, see the section entitled “Summary of PRC Laws Relating to the Property Sector” in Appendix VI to this document.

Housing reforms, together with economic growth, the emergence of the mortgage lending market and rapid urbanization are key factors in creating a real estate market in China and in sustaining the growth of China’s real estate market. These and other government housing reform measures will continue to encourage private housing ownership in China. According to the National Bureau of Statistics, China’s urbanization rate rose from approximately 41.8% in 2004 to approximately 45.7% in 2008. The increase in the urban population of China will likely result in an increase in demand for residential and commercial properties.

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The table below shows China’s urbanization rate for the periods indicated.

	2004	2005	2006	2007	2008
Total population (millions).....	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0
Urban population (millions) .....	542.8	562.1	577.1	593.8	606.7
Urbanization rate (%). .....	41.8	43.0	43.9	44.9	45.7

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*Source: China Statistical Yearbook 2008; Provisional figure from China Statistical Announcement 2008*

### Measures Taken by the PRC Government in Recent Years Relating to the Real Estate Market

Since 2004, in order to prevent China’s economy from expanding too rapidly and to achieve balanced and sustainable economic growth, the PRC government has taken measures to control money supply, credit availability and fixed assets investment. The PRC government has also taken measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government has introduced policies and measures to restrict such increase, including but not limited to:

- limiting the monthly mortgage payment ratio to 50% of an individual borrower’s monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- requiring real estate developers to finance 35% rather than 20% of the total projected capital outlay of any property development project with their own capital funds;
- increasing the required reserve ratio of funds that a commercial bank must hold on deposit from 7.5% in first half of 2006 to 17.5% in June 2008, effectively reducing the amount of money a bank is able to lend;
- increasing the PBOC benchmark lending interest rates and public housing fund lending rates, with the PBOC one-year benchmark lending interest rate at 5.31% and the public housing fund lending rates at 3.33% for loans with maturities of no more than five years and 3.87% for loans with maturities of over five years in December 2008; and
- tightening regulations governing mortgage lending and restricting approval of new large-scale development sites.

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On May 9, 2005, the General Office of the State Council issued the Notice on the Opinions of the Ministry of Construction and other Departments on Stabilizing Property Prices 《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》 followed by a set of new measures. As a result:

- from June 1, 2005, a business tax would be levied on the proceeds from sales of properties, depending upon the length of the holding period and the type of properties;
- resale of acquired interests in uncompleted properties was banned;
- a land idle fee would be imposed on land the development of which does not commence within one year of the commencement date stipulated in the land grant contract and the land use rights would be cancelled for land sitting idle for two years or more;
- planning permits would be revoked if the projects fail to comply with their respective planning permits; and
- land provision for villa construction was banned and land provision for high-end residential property construction was restricted.

On May 24, 2006, the General Office of the State Council promulgated the Opinion on Adjusting Housing Supply Structures and Stabilizing Housing Prices 《關於調整住房供應結構穩定住房價格的意見》 (the “Notice 37”) jointly prepared by nine ministerial departments, including the Ministry of Construction, the NDRC, the Ministry of Land and Resources and the State Administration of Taxation. Notice 37 was aimed at guiding and promoting sustainable and healthy development of the real estate industry through adjusting housing supply structures and curbing soaring housing prices. As a result of the introduction of Notice 37:

- from June 1, 2006 and with respect to newly approved and newly commenced commodity property construction, the ratio of residential housing with a GFA of less than 90 square meters (including affordable housing) must reach more than 70% of the total GFA for development and construction. Projects that have been approved but have not obtained construction permits should be adjusted accordingly to the extent that those projects are not in line with the above ratio requirement;
- from June 1, 2006, a business tax of 5% would be levied on the proceeds from sales of residential housing purchased and held for less than five years, and a business tax of 5% would be levied on gains realized with respect to non-ordinary commodity residential properties even after the lapse of five years;

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- commercial banks shall not make loans to developers whose project capital ratio is less than 35%, so as to restrict developers' practice of financing land acquisitions and house reservations by using bank loans. Commercial banks should exercise due caution strict control when they make loans to developers in possession of relatively large areas of idle land and/or unsold commodity properties. Commercial banks should not accept commodity properties unsold and/or left idle for over three years as security for their loans; and
- from June 1, 2006 and with respect to property mortgages, down payments should be at a minimum of 30%. A down payment of 20% would still be applicable with respect to purchases of housing for buyers' own use with a GFA of less than 90 square meters.

On May 30, 2006, the State Administration of Taxation issued a Circular on Issues of Strengthening Levy of Business Tax on Residential Housing 《關於加強住房營業稅徵收管理有關問題的通知》 which further confirmed the policies provided under Notice 37 with respect to the levy of business tax on the transfer of residential housing.

The Ministry of Construction promulgated the Supplemental Opinion on Implementing Ratio Requirements for the Structural Composition of Newly-Constructed Residential Buildings 《關於落實新建住房結構比例要求的若干意見》 on July 6, 2006 to clarify the scope of application of the restriction contained in Notice 37. Based on the supplemental opinion, the restriction relates to all new residential projects within a city taken as a whole. This means that for any given city, at least 70% of the total GFA for development and construction within that city shall consist of residential housing with a GFA under 90 square meters. Unlike any project-specific requirement, the application of such citywide restrictions will vary from city to city.

Notice 37 calls for sustainable land supplies for low-to-mid-price and small-to-mid-size ordinary commodity properties, as well as a continued curb of land supplies for housing projects such as villas and other low-density and luxury housing. On May 30, 2006, the Ministry of Land and Resources issued the Urgent Notice on Further Tightening of Land Administration 《關於當前進一步從嚴土地管理的緊急通知》, which reiterates the aforesaid land supply policies specified in Notice 37 and provides that land supply for villa development projects and the processing of relevant land use procedures be suspended.

Notice 37 also requires land and planning administrative authorities to strengthen the supervision over land development. Higher levels of charges on idle land should be levied where the construction has not been commenced within one year after the commencement date as set forth in the relevant land grant contract. Land use rights should be revoked where construction has not commenced within two years after the commencement date as set forth in the land grant contract. Land should be considered as idle even if the construction is carried out according to the contract, where (1) the suspension of land development lasts consecutively for one year or longer without approval from the applicable authorities, and (2) the land developed is less than one-third of the total development area or the investment for land development is less than one-fourth of the total amount, exclusive of payment of land premium. With respect to idle land, a land idle fee equal to a maximum of 20% of the land



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premium may be levied where development work has not commenced one year after the stipulated date of commencement as set forth in the land grant contract, and land use rights may be revoked where development is not commenced two years after such stipulated date in accordance with the Measures on Disposing Idle Land 《閑置土地處置辦法》 issued by the Ministry of Land and Resources on April 28, 1999.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly issued the Opinion on Regulating the Access and Administration of Foreign Capital in the Real Estate Market 《關於規範房地產市場外資准入和管理的意見》 (the “Opinion 171”). Opinion 171 aims to regulate foreign investment in the domestic property market and to strengthen the oversight of property purchases by foreign-invested enterprises. Opinion 171 also provides stricter standards for foreign investors to purchase real property in China not intended for personal use.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題的通知》 to strengthen collection of LAT effective February 1, 2007.

On March 16, 2007, the NPC promulgated the Properties Rights Law of the People’s Republic of China 《中華人民共和國物權法》 effective October 1, 2007, which provides that the construction land use rights may be created through grant, allocation or other means. As regards the land used for purposes of industry, business, tourism, entertainment or commodity housing, as well as the land with two or more intended users, such land must be granted through tender, auction or listing-for-sale. Creation of construction land use rights through allocation is strictly limited.

On May 23, 2007, the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Investment in Real Estate Sector 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》 to impose stricter requirements on foreign-invested real estate enterprises.

On July 10, 2007, the General Department of the SAFE issued the Notice Regarding the Publication of the First Group of Real Estate Enterprises with Foreign Investment that have Properly Registered with the MOFCOM 《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》 to restrict foreign-invested real estate companies from raising funds offshore to inject into their companies in China by way of shareholder loans.

On September 27, 2007, the PBOC and the CBRC jointly issued the Circular on Strengthening the Administration of Commercial Real Estate Credit 《關於加強商業性房地產信貸管理的通知》, which provides that when a borrower applies for individual home loans for his or her first self-used residential unit with a GFA of more than 90 square meters, the first instalment must be at least 30% of the purchase price. With respect to loan application for purchases of additional residential unit(s), the first instalment should not be less than 40% of the purchase price, and the loan interest should not



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be lower than 1.1 times of the then benchmark lending rate published by the PBOC. The amount of the first instalment and interest of the loan should increase as the borrower purchases more residential units. The circular also provides that loans obtained from commercial banks must be used solely for the property developments in the region where the lending bank is located.

In accordance with the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-sale 《招標拍賣掛牌出讓國有建設用地使用權規定》 issued by the Ministry of Land and Resources on September 28, 2007 and effective November 1, 2007, land for industry, business, tourism, entertainment, and commodity housing development shall be granted by means of tender, auction or listing-for-sale. No land use rights certificates shall be issued before the land premium has been fully paid up pursuant to the land grant contract and the land use rights certificates shall not be issued separately upon partial payment of the land premium. Our PRC legal advisor has advised us that the regulations do not prohibit us from paying the land premium by instalments if such arrangement is stipulated under the land grant contract.

On September 30, 2007, the Ministry of Land and Resources issued Notice on Implementation of the State Council's Certain Opinions on Resolving Residence Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply 《關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知》 to further enhance the control of land supply, which provides that the supply of the land to be developed for low-rent housing, affordable housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each piece of land and increase the number of pieces to be supplied in order to prevent the coemption of land by property developers. The developers shall develop land according to the terms of the land grant contract, and any violation of such contract may restrict or prevent such developers from participating in future land bidding. Generally, the development period of each piece of land shall not exceed three years.

On October 31, 2007, the MOFCOM and the NDRC jointly issued a revised Foreign Investment Industrial Guidance Catalogue 《外商投資產業指導目錄》 effective December 1, 2007, which provides, among other things, that the development and construction of ordinary residential properties should be removed from the category of industries in which foreign investment is encouraged and emphasizes that the development and construction of villas, premium office buildings, international conference and exhibition centers and high-end hotels by foreign investment enterprises is restricted.

In order to control the land market and promote reasonable land utilization, the Ministry of Land and Resources, Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Reserve 《土地儲備管理辦法》 on November 19, 2007, which regulates the land development and land reserve before the land and resources authorities grant land according to relevant laws and regulations. Pursuant to the measures, the establishment of land reserve should be implemented by land reserve entities, which should be public institutions affiliated with the land and resources authorities at city or county level. The contractors shall be elected through public tender to conduct the land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling.

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On December 5, 2007, the PBOC and CBRC jointly issued the Supplemental Circular on Strengthening the Management of Commercial Real-estate Credit Loans 《關於加強商業性房地產信貸管理的補充通知》, which clarifies that the number of mortgage loans should be calculated on a family basis. Pursuant to the circular, family includes the borrower and the borrower's spouse and minor children.

On January 3, 2008, the State Council issued a Notice of the State Council on Promoting the Land Saving and Intensive Use 《關於促進節約集約用地的通知》 with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice urges the full and effective use of existing construction land and the preservation of farming land. The notice also emphasizes the enforcement of the current rules on land idle fee for any land left idle for over one year but less than two years, with such land idle fee charged at 20% of the land premium. The notice further urges the financial institutions to exercise caution when they process loan applications from property developers that have failed to complete development of at least one third of the land area or failed to invest at least 25% of the total investment within one year of the construction commencement date stipulated in the land grant contract. Pursuant to the notice, the relevant governmental authorities will formulate and issue further rules and regulations on such requirements. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land 《關於嚴格建設用地管理促進批而未用土地利用的通知》 in August 2009, which reiterates the current rules on idle land.

On December 20, 2008, the General Office of the State Council issued Certain Opinions on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》 to expand domestic demand and promote the healthy development of real estate. The opinion provides that, among other things:

- while the policy of preferential treatments on mortgage rate and down-payment percentage applies to those who purchase ordinary housing for their own use on first mortgage, similar policy may be, with necessary changes, applied to those whose living space is below local average standard and who apply for mortgage to purchase a second ordinary housing unit to improve living condition. For others who purchase their second or more housing units, mortgage rate will be determined by commercial banks based on benchmark interest rate with consideration of relevant risk factors.
- from January 1, 2009 to December 31, 2009, the business tax exemption will apply to transfer of ordinary housing that has been held over two years (including two years). For those who transfer ordinary housing that has been purchased for less than two years, the business tax will be levied on the total proceeds minus such housing's original purchase

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price. The business tax on transfer by individuals of non-ordinary housing purchased two years or more ago will be calculated based on the proceeds from the transfer minus such housing’s original purchase price. For transfer of non-ordinary housing purchased for less than two years, business tax calculation will still be based on the total proceeds from the transfer.

On March 6, 2009, the State Administration of Taxation issued Measures Relating to Enterprise Income Tax Treatment of Real Estate Entities 《房地產開發經營業務企業所得稅處理辦法》 to address the application of income tax to real estate enterprises, taking into account the changes in the PRC Enterprise Income Tax Law and the unique features of the real estate industry. For more information, see the section entitled “Summary of PRC Laws Relating to the Property Sector” in Appendix VI to this document.

On May 25, 2009, the State Council issued the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment 《國務院關於調整固定資產投資項目資本金比例的通知》, under which the minimum capital ratio of low-to-mid-income housing and ordinary commodity housing projects shall be 20% and the minimum capital ratio of other real estate projects shall be 30%.

### Commodity Property Sales

Demand for real estate in China has steadily increased over the past five years. According to the National Bureau of Statistics of China, the total revenue from real estate sales of development properties in China increased from approximately Rmb 1,037.6 billion in 2004 to approximately Rmb 2,407.1 billion in 2008. During the same period, the aggregate GFA sold in China increased from approximately 382.3 million square meters in 2004 to approximately 620.9 million square meters in 2008. Of the 620.9 million square meters of aggregate GFA sold in 2008, approximately 558.9 million square meters were residential properties, representing a decrease of approximately 20.3% over 2007. This is mainly due to the effect of various cooling down measures adopted by the PRC government since 2007.

The average selling price of commodity properties in China increased from approximately Rmb 2,778 per square meter in 2004 to approximately Rmb 3,877 per square meter in 2008, while the average selling price of residential commodity properties increased from approximately Rmb 2,608 per square meter to approximately Rmb 3,655 per square meter during the same period.

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The table below sets out key statistics relating to the PRC real estate market for the years indicated.

	2004	2005	2006	2007	2008
Real estate investment (Rmb in billions) .....	1,315.8	1,590.9	1,942.3	2,528.9	3,058.0
GFA of commodity properties sold (million square meters) .....	382.3	554.9	618.6	773.5	620.9
GFA of residential properties sold (million square meters) .....	338.2	495.9	554.2	701.4	558.9
Average selling price of commodity properties (Rmb per square meter) .	2,778	3,168	3,367	3,864	3,877
Average selling price of residential properties (Rmb per square meter) .	2,608	2,937	3,119	3,645	3,655 <sup>(1)</sup>
Total sales revenue from commodity properties (Rmb in billions) .....	1,037.6	1,757.6	2,082.6	2,988.9	2,407.1
Total sales revenue from residential properties (Rmb in billions) .....	861.9	1,456.4	1,728.8	2,556.6	2,042.7 <sup>(1)</sup>

*Source: China Statistical Yearbook 2008; Provisional figure from China Statistical Announcement 2008 and yearly data published by National Bureau of Statistics of China*

- (1) The residential property sales revenue in 2008 is calculated by multiplying the announced year-on-year rate to the 2007 sales revenue figure. The average selling prices in 2008 are calculated by dividing the sales revenue by the area sold. The remaining data are extracted directly from relevant yearbooks.

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The map below sets out the cities in which we have property development operations.



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(1) Shanghai Chengbang Villa Project was acquired after August 31, 2009 the cut-off date in the Property Valuation Report.

### SHENZHEN

Located in the southern part of Guangdong Province, Shenzhen is China's first special economic zone. In about 30 years, Shenzhen has developed from a small fishing village into a key commercial and industrial center in southern China.

Shenzhen's GDP in 2008 reached approximately Rmb 780.7 billion at a real GDP growth rate of approximately 12.1%, ranking fourth in China for 13 consecutive years, and accounting for over 20% of Guangdong Province's GDP.

Shenzhen's GDP per capita grew at more than 10% every year from 2004 to 2008, and reached approximately Rmb 89,814 in 2008, the highest among all cities in China.

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### Shenzhen's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions).....	428.2	495.1	581.4	680.2	780.7
Real GDP growth rate (%).....	17.3	15.1	16.6	14.8	12.1
GDP per capita (Rmb).....	54,236	60,801	69,450	79,645	89,814
Population (Millions) .....	8.0	8.3	8.5	8.6	8.8
Per capita consumer expenditure of urban households (Rmb) .....	19,570	15,912	16,628	18,753	19,779

*Source: Shenzhen Statistical Yearbook 2008; Provisional figure from Shenzhen Statistical Announcement 2008*

### Investment in Real Estate in Shenzhen (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate.....	43.4	42.4	46.2	46.1	44.0
Investments in residential real estate.....	25.6	26.6	32.5	33.2	31.5

*Source: Shenzhen Statistical Yearbook 2008; Shenzhen Real Estate Yearbook 2009*

### Residential Property Market

The Shenzhen government has restricted its land supply since 2003 as a result of a series of macro-economic control regulations. These measures drove the supply of residential properties downward in 2004. The residential GFA completed then decreased gradually from approximately 7.7 million square meters in 2004 to approximately 4.4 million square meters in 2007. In 2008, the residential GFA completed in Shenzhen slightly increased by approximately 1.5% from 2007.

The total residential GFA under development in Shenzhen has remained above 20 million square meters since 2004. The total residential GFA under development was approximately 22.1 million square meters in 2008, representing a growth of 1.5% from 2007.

The demand for residential properties remained strong in Shenzhen until 2005. With the tightening the macro-economic control policy by the PRC government, the residential GFA sold in Shenzhen witnessed a drop by 17.3% on a year-on-year basis from 2007 to approximately 4.1 million square meters in 2008.

The average selling price of residential properties in Shenzhen experienced steady growth from 2004 to 2007. The average selling price decreased by 4.3% from 2007 to approximately Rmb 12,794 per square meter in 2008.

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### Shenzhen's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters) .....	7,722.0	7,044.4	5,818.7	4,371.4	4,437.7
Residential GFA under development (thousand square meters) .....	22,576.8	21,525.8	21,573.9	21,777.8	22,103.6
Residential GFA sold (thousand square meters) .....	8,025.8	9,011.3	7,048.9	5,003.5	4,136.9
Average selling price of residential properties (Rmb per square meter) .....	6,419	6,996	9,190	13,370	12,794

*Source: Shenzhen Statistical Yearbook 2008; Shenzhen Real Estate Yearbook 2009*

### Shenzhen Urban Redevelopment Program

According to Shenzhen Real Estate Yearbook 2005 and 2007, over 200 inner-city villages in Shenzhen were subject to, or planned for, redevelopment step by step over a period of years. Over 90 of these city-villages are inside the Shenzhen Special Economic Zone. The majority of the redevelopment projects within the Shenzhen Special Economic Zone are located in the southern and eastern parts of Shenzhen CBD, Caiwuwei village in Luohu District and the Overseas Chinese Town in Futian District. According to the Shenzhen inner-city village redevelopment plan 2005-2010, these village redevelopment projects are scheduled for redevelopment between 2006 and 2010. The principal redevelopment projects outside the Shenzhen Special Economic Zone are mostly located in Baoan district, Longgang district and Longhua Township. According to the Shenzhen inner-city village redevelopment plan 2006-2010, such redevelopment projects will generate a total site area of approximately 8.0 million square meters.

Strong demand for Grade A office space coupled with relatively limited supply in Shenzhen reduced the vacancy rate and kept rentals at relatively high levels. According to the DTZ reports, Property Times 2004 Q4, 2007 Q4 and 2008 Q4, the vacancy of Grade A office space in Shenzhen dropped to 10.4% in 2008 from 11.4% in 2004. Meanwhile, the overall rentals in 2008 increased by 2.1% from 2007 to approximately Rmb 140 per square meter per month. Among the three districts (Luohu, Futian and Nanshan) in Shenzhen, Luohu District recorded the highest average rental of approximately Rmb 145 per square meter per month, followed by Futian District at approximately Rmb 144 per square meter per month and Nanshan District at approximately Rmb 113 per square meter per month.



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## INDUSTRY OVERVIEW

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### Retail Property Market

The total completed retail GFA was volatile from 2004 to 2008. It reached approximately 598,000 square meters in 2008, representing a 19.2% decrease as compared with that of 2007.

The total retail GFA under development remained steady from 2004 to 2006 and drop in 2007. In 2008, the retail GFA under construction increased by 3.1% from 2007 to approximately 3.5 million square meters.

The total retail GFA sold was approximately 581,000 square meters in 2004 and then followed a downward trend from 2004 to 2007 as a result of restriction on Shenzhen land supply. The policy of restriction on development period has accelerated the development speed and increase the supply in 2008. The total retail GFA sold in 2008 increased by 9.8% to approximately 336,000 square meters as compared with that of 2007.

The average selling price of retail properties was approximately Rmb 12,764 per square meter in 2004. From 2004 to 2007, the tightened supply drove the selling price up and the average selling price increased to approximately Rmb 19,103 per square meter in 2007. Because of cooling down of the property market, the average selling price of retail properties in 2008 decreased by approximately 32.8% to approximately Rmb 12,833 per square meter in 2007.

#### Shenzhen's Key Retail Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Retail GFA completed (thousand square meters) .....	1,055.4	966.7	1,266.3	739.9	597.9
Retail GFA under development (thousand square meters) .....	3,791.5	3,703.4	3,857.1	3,359.8	3,464.5
Retail GFA sold (thousand square meters) .....	580.9	534.8	468.9	306.4	336.3
Average selling price of retail properties (Rmb per square meter) .....	12,764	15,083	18,257	19,103	12,833

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*Source: Shenzhen Statistical Yearbook 2008; Shenzhen Real Estate Yearbook 2009*

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## INDUSTRY OVERVIEW

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### DONGGUAN

Dongguan is located in the mid-south of Guangdong Province and at the eastern coast of the Pearl River's estuary. It borders Huizhou to the north and east, Shenzhen to the south, Guangzhou to the west and north.

#### Dongguan's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	180.6	218.2	262.7	315.2	370.3
Real GDP growth rate (%).....	21.0	19.4	19.2	18.2	14.0
GDP per capita (Rmb).....	27,554	33,263	39,478	46,027	53,285
Population (millions) .....	6.6	6.6	6.7	6.9	6.9
Urbanization rate (%).....	38.0 <sup>(1)</sup>	73.0	85.1	85.2	86.4
Per capita consumer expenditure of urban households (Rmb) .....	18,426	21,768	18,995	21,545	23,208

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*Source: Guangdong Statistical Yearbook 2008; Dongguan Statistical Yearbook 2008; Provisional figure from Dongguan Statistical Announcement 2008*

(1) The figure of urbanization rate in 2004 is calculated by dividing non-agricultural household population by total household population, but the figures of urbanization rate in other years are published statistics which are based on the permanent population.

#### Real Estate Investments in Dongguan (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate.....	11.4	14.4	16.4	20.9	27.0

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*Source: Dongguan Statistical Yearbook 2008; Provisional figure from Dongguan Statistical Announcement 2008*

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## INDUSTRY OVERVIEW

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### Residential Property Market

#### Dongguan's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters) .....	1,264.3	1,152.0	1,141.0	1,119.0	N/A
Residential GFA under development (thousand square meters) .....	6,229.1	8,899.0	12,294.0	13,710.0	N/A
Residential GFA sold (thousand square meters) .....	1,423.7	2,972.0	3,530.0	5,411.0	4,940.0
Average selling price of residential properties (Rmb per square meter) <sup>(1)</sup> .....	3,297	3,671	4,137	5,058	5,411

*Source: Dongguan Statistical Yearbooks 2005/2008; Provisional figure from Dongguan Statistical Announcement 2008*

(1) Average selling price is calculated by dividing sales revenue by area sold.

### HUIZHOU

Huizhou is located in the southeast of Guangdong Province and at the northeastern end of the Pearl River Delta.

#### Huizhou's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions) ..	68.6	80.3	92.6	110.5	129.0
Real GDP growth rate (%) .....	15.1	15.8	16.6	17.4	11.5
GDP per capita (Rmb) .....	19,189	21,896	24,795	28,945	33,077
Population (millions) .....	3.6	3.7	3.8	3.9	3.9
Urbanization rate (%) .....	39.0 <sup>(1)</sup>	55.0	61.2	62.0	61.3
Per capita consumer expenditure of urban households (Rmb) .....	11,929	12,931	14,035	15,015	16,581

*Source: Guangdong Statistical Yearbook 2008; Huizhou Statistical Yearbook 2008; Provisional figure from Huizhou Statistical Announcement 2008 and monthly data published by Huizhou Bureau of Statistics*

(1) The figure of urbanization rate in 2004 is calculated by dividing non-agricultural household population by total household population, but the figures of urbanization rate in other years are statistics which are based on the permanent population.

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## INDUSTRY OVERVIEW

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### Real Estate Investments in Huizhou (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate .....	3.0	4.4	6.9	13.8	18.7

*Source: Huizhou Statistical Yearbook 2008; Provisional figure from Huizhou Statistical Announcement 2008*

### Residential Property Market

#### Huizhou’s Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters) .....	773.0	1,101.0	1,437.5	1,794.0	N/A
Residential GFA under development (thousand square meters) .....	2,874.3	3,905.3	5,692.4	10,610.4	N/A
Residential GFA sold (thousand square meters) .....	912.6	1,321.0	2,423.7	3,634.7	2,708.0
Average selling price of residential properties (Rmb per square meter) .....	2,076	2,227	2,840	3,771 <sup>(1)</sup>	N/A

*Source: Guangdong Statistical Yearbook 2008; Huizhou Statistical Yearbooks 2005/2006/2007/2008; Provisional figure from Huizhou Statistical Announcement 2008*

(1) The average selling price in 2007 is calculated by dividing the sales revenue by the area sold, while the remaining data are extracted from relevant yearbooks directly.

### GUANGZHOU

Guangzhou is located in the southern part of China, the mid-south of Guangdong Province and the north fringe of the Pearl River Delta.

Guangzhou’s GDP grew steadily since 2004 from approximately Rmb 445.1 billion in 2004 to approximately Rmb 821.6 billion in 2008 at a CAGR of approximately 16.6%. In line with the GDP growth, Guangzhou’s per capita GDP grew at a CAGR of approximately 15.3% from 2004 to 2008.

## INDUSTRY OVERVIEW

### Guangzhou's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	445.1	515.4	607.4	710.9	821.6
Real GDP growth rate (%) .....	15.0	12.9	14.8	14.9	12.3
GDP per capita (Rmb).....	45,906	53,809	63,100	71,808	81,233
Population (millions) .....	9.7	9.5	9.8	10.0	10.2
Urbanization rate (%).....	88.7 <sup>(1)</sup>	91.5	82.0	82.2	N/A
Per capita consumer expenditure of urban households (Rmb).....	13,121	14,468	15,445	18,951	20,836

Source: *Guangzhou Statistical Yearbooks 2006/2008; Guangdong Statistical Yearbook 2008; Provisional figure from Guangzhou Statistical Announcement 2008 and yearly data published by Guangzhou Bureau of Statistics.*

(1) The figure of urbanization rate in 2004 is calculated by dividing non-agricultural household population by total household population, but the figures of urbanization rate in other years are published statistics which are based on the permanent population.

### Real Estate Investments in Guangzhou (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate.....	47.7	50.8	55.7	70.4	76.2

Source: *Guangzhou Statistical Yearbook 2008; Provisional figure from Guangzhou Statistical Announcement 2008.*

## Retail Property Market

### Guangzhou's Key Retail Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Retail GFA completed (thousand square meters) .....	993.1	833.5	709.5	683.6
Retail GFA under development (thousand square meters) .....	5,341.8	5,462.3	4,908.5	5,180.9
Retail GFA sold (thousand square meters) .....	318.3	475.1	725.6	726.1
Average selling price of retail properties <sup>(1)</sup> (Rmb per square meter) .....	8,118	10,909	10,219	9,532

Source: *Guangzhou Statistical Yearbooks 2005/2006/2007/2008*

(1) Average selling price is calculated by dividing sales revenue by area sold.

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## INDUSTRY OVERVIEW

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On January 3, 2008, Guangzhou municipal government issued the Measures on the Sales and Management of Restricted-Price Residential Properties in Guangzhou (Tentative) 《廣州市限價商品住宅銷售管理辦法(試行)》. Restricted-price residential properties (限價房) are a type of commodity property that is strictly regulated by the government through various measures including sale price, unit floor area and eligibility of buyers. Participating developers attend the land auction designated for such restricted-price development and develop and sell the relevant properties according to the measures. We do not engage in any type of residential property development in Guangzhou, and have no plan to enter into Guangzhou residential property market in the foreseeable future. These regulations on restricted-price residential properties in Guangzhou have no bearing on our operations.

### CHONGQING

Chongqing is a key commercial and industrial center in western China.

#### Chongqing's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	269.3	307.0	345.2	412.3	509.7
Real GDP growth rate (%) .....	12.2	11.5	12.2	15.6	14.3
GDP per capita (Rmb).....	9,624	10,982	12,316	14,660	18,025
Population (millions) .....	27.9	28.0	28.1	28.2	28.4
Urbanization rate (%).....	43.5	45.2	46.7	48.3	50.0
Per capita consumer expenditure of urban households (Rmb).....	7,973	8,623	9,399	10,876	11,147

Source: Chongqing Statistical Yearbook 2008; Provisional figure from Chongqing Statistical Announcement 2008

#### Real Estate Investments in Chongqing (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate .....	40.5	51.8	63.0	85.0	99.1

Source: Chongqing Statistical Yearbook 2008; Provisional figure from Chongqing Statistical Announcement 2008

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## INDUSTRY OVERVIEW

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### CHANGSHA

Changsha is the capital city of Hunan Province.

#### Changsha's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	129.7	152.0	179.9	219.0	300.1
Real GDP growth rate (%) .....	16.0	14.9	14.8	16.0	15.1
GDP per capita (Rmb).....	20,625	23,968	27,982	33,711	45,765
Population (millions) .....	6.3	6.4	6.5	6.5	6.6
Urbanization rate (%).....	51.2	53.9	56.5	60.2	61.3
Per capita consumer expenditure of urban households (Rmb) .....	9,032	9,660	10,680	12,288	12,960

*Source: Hunan Statistical Yearbooks 2005/2006/2007/2008; Changsha Statistical Yearbook 2008; Provisional figure from Changsha Statistical Announcement 2008*

#### Real Estate Investments in Changsha (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate.....	17.6	25.6	30.4	41.3	47.0

*Source: Changsha Statistical Yearbook 2008; Provisional figure from Changsha Statistical Announcement 2008*

### Residential Property Market

#### Changsha Key Residential Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Residential GFA completed (thousand square meters) .....	4,371.1	4,676.5	4,783.8	5,830.9
Residential GFA under development (thousand square meters) .....	10,936.7	15,094.8	21,509.6	25,999.3
Residential GFA sold (thousand square meters) .....	4,081.7	6,107.7	6,939.1	9,285.1
Average selling price of residential properties (Rmb per square meter) .....	1,775	2,089	2,431	3,191

*Source: China Real Estate Statistical Yearbooks 2007/2008*



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## INDUSTRY OVERVIEW

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### Retail Property Market

#### Changsha Key Retail Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Retail GFA completed (thousand square meters) .....	671.7	542.8	391.2	591.3
Retail GFA under development (thousand square meters) .....	2,307.5	2,148.3	2,386.8	2,920.3
Retail GFA sold (thousand square meters) .....	403.6	448.4	334.9	313.4
Average selling price of retail properties (Rmb per square meter) .....	4,190	4,976	6,516	6,013

*Source: China Real Estate Statistical Yearbooks 2007/2008*

### WUHAN

Wuhan is the capital city of Hubei Province.

#### **Wuhan's Key Socioeconomic Statistics (2004-2008)**

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	188.2	223.8	259.1	314.2	396.0
Real GDP growth rate (%) .....	14.5	14.7	14.8	15.6	15.1
GDP per capita (Rmb).....	23,148	26,279	29,899	35,500	44,290
Population (millions) <sup>(1)</sup> .....	7.9	8.0	8.2	8.3	8.3
Urbanization rate (%).....	61.7	62.8	63.4	63.8	64.5 <sup>(2)</sup>
Per capita consumer expenditure of urban households (Rmb).....	7,793	8,234	9,182	10,600	11,433

*Source: Wuhan Statistical Yearbook 2008; Provisional figure from Wuhan Statistical Announcement 2008 and statistical reports published by Wuhan Bureau of Statistics.*

- (1) Population is household population.
- (2) The urbanization rate in 2008 is calculated by dividing the non-agricultural household population by the total household population, while the remaining data are extracted from relevant yearbooks directly.

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## INDUSTRY OVERVIEW

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### Real Estate Investments in Wuhan (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate .....	23.3	29.8	36.6	46.0	57.0

*Source: Wuhan Statistical Yearbook 2008; Provisional figure from Wuhan Statistical Announcement 2008*

### Residential Property Market

#### Wuhan's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters) .....	6,089.1	7,222.5	7,744.7	8,116.2	7,682.3
Residential GFA under development (thousand square meters) .....	20,124.9	22,979.6	24,291.6	26,595.7	32,221.4
Residential GFA sold (thousand square meters) .....	6,139.1	8,341.8	9,089.2	10,698.9	6,832.4
Average selling price of residential properties (Rmb per square meter) .....	2,463	2,986	3,535	4,516	4,680

*Source: China Real Estate Statistical Yearbooks 2007/2008; Provisional figure from Wuhan Statistical Announcement 2008*

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## INDUSTRY OVERVIEW

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### QINGDAO

Qingdao is a coastal city in Shandong Province.

#### Qingdao's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	227.0	269.6	320.7	378.7	443.6
Real GDP growth rate (%) .....	16.7	16.9	15.7	16.0	13.2
GDP per capita (Rmb).....	28,540	33,188	38,892	45,399	N/A
Population (millions) <sup>(1)</sup> .....	7.3	7.4	7.5	7.6	7.6
Urbanization rate (%) <sup>(2)</sup> .....	35.3	35.8	36.2	36.4	36.3
Per capita consumer expenditure of urban households (Rmb) .....	9,002	9,883	11,945	13,376	14,999

*Source: Qingdao Statistical Yearbooks 2005/2008; Provisional figure from Qingdao Statistical Announcement 2008*

(1) Population is household population.

(2) Urbanization rate is calculated by dividing household population in urban area by total household population.

#### Real Estate Investments in Qingdao (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate .....	16.3	22.4	26.8	32.2	37.3

*Source: Qingdao Statistical Yearbook 2008; Provisional figure from monthly data published by Qingdao Bureau of Statistics*

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## INDUSTRY OVERVIEW

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### Residential Property Market

#### Qingdao's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters) .....	5,040.0	6,783.0	5,450.0	5,480.0	4,958.0
Residential GFA under development (thousand square meters) .....	16,898.0	18,628.0	21,730.0	24,650.0	27,404.0
Residential GFA sold (thousand square meters) .....	4,465.0	6,500.0	6,460.0	7,700.0	6,898.0
Average selling price of residential properties <sup>(1)</sup> (Rmb per square meter) .....	2,747	3,466	3,998	5,103	4,758

*Source: Qingdao Statistical Yearbooks 2005/2006/2007/2008; Provisional figure from monthly data published by Qingdao Bureau of Statistics*

(1) Average selling price is calculated by dividing sales revenue by area sold.

### Office Property Market

#### Qingdao's Key Office Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Office GFA completed (thousand square meters) .....	203.0	77.0	160.0	180.0
Office GFA under development (thousand square meters) .....	928.0	930.0	1,510.0	1,520.0
Office GFA sold (thousand square meters) .....	191.0	90.0	190.0	220.0
Average selling price of office properties <sup>(1)</sup> (Rmb per square meter) .....	7,847	7,710	9,331	7,623

*Source: Qingdao Statistical Yearbooks 2005/2006/2007/2008*

(1) Average selling price is calculated by dividing sales revenue by area sold.

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## INDUSTRY OVERVIEW

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### Retail Property Market

#### Qingdao's Key Retail Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Retail GFA completed (thousand square meters) .....	590.0	814.0	520.0	478.0
Retail GFA under development (thousand square meters) .....	1,949.0	2,271.0	2,190.0	3,520.0
Retail GFA sold (thousand square meters) .....	344.0	652.0	440.0	330.0
Average selling price of retail properties <sup>(1)</sup> (Rmb per square meter) .....	3,723	4,356	5,794	6,485

Source: *Qingdao Statistical Yearbooks 2005/2006/2007/2008*

(1) Average selling price is calculated by dividing sales revenue by area sold.

### HANGZHOU

Hangzhou is the capital city of Zhejiang Province.

#### Hangzhou's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	254.3	294.3	344.2	410.0	478.1
Real GDP growth rate (%) .....	15.0	13.0	14.3	14.6	11.0
GDP per capita (Rmb) <sup>(2)</sup> .....	39,293	44,853	51,878	61,258	60,414
Population (millions) <sup>(1)</sup> .....	6.5	6.6	6.7	6.7	6.8
Urbanization (%) <sup>(3)</sup> .....	43.4	45.1	46.5	48.2	50.3
Per capita annual consumer expenditure of urban household (Rmb) .....	11,213	13,438	14,472	14,896	16,719

Source: *Hangzhou Statistical Yearbook 2008; Provisional figure from Hangzhou Statistical Announcement 2008*

(1) Population is household population.

(2) GDP Per Capita is calculated by household population.

(3) Urbanization rate is calculated by dividing non-agricultural household population by total household population.

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## INDUSTRY OVERVIEW

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### Real Estate Investments in Hangzhou (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Real Estate Investment.....	32.9	41.1	44.3	51.9	59.7

*Source: Hangzhou Statistical Yearbook 2008; Provisional figure from Hangzhou Statistical Announcement 2008*

### Residential Property Market

#### Hangzhou's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters) .....	5,128.5	7,054.5	6,263.4	7,716.1	6,935.4
Residential <u>GFA</u> under development (thousand square meters) .....	26,421.0	33,158.4	34,842.7	36,142.8	36,315.3
Residential GFA Sold (thousand square meters) .....	5,094.9	6,206.6	6,799.6	10,436.7	6,274.8
Average selling price of residential properties (Rmb per square meter) .....	3,884	5,454	5,967	7,432	N/A

*Source: China Real Estate Statistical Yearbooks 2007/2008; Provisional figure from Hangzhou Statistical Announcement 2008 and monthly data published by Hangzhou Bureau of Statistics.*

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## INDUSTRY OVERVIEW

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### Office Property Market

#### Hangzhou's Key Office Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Office GFA completed (thousand square meters) .....	310.3	574.9	345.4	407.6
Office <u>GFA</u> under development (thousand square meters) .....	2,351.0	2,780.6	3,724.3	3,674.0
Office GFA Sold (thousand square meters) .....	295.1	301.8	380.3	517.1
Average selling price of office properties (Rmb per square meter) .....	7,011	8,221	8,672	10,411

*Source: China Real Estate Statistical Yearbooks 2007/2008*

### LIANYUNGANG

Lianyungang is located in the middle of China's east coastline, northeast of Jiangsu Province.

#### Lianyungang's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions) ..	39.2	45.6	52.7	61.8	75.0
Real GDP growth rate (%) .....	13.9	14.2	15.2	15.1	13.1
GDP per capita (Rmb) .....	8,551	10,003	11,656	13,776	16,808
Population (millions) .....	4.6	4.5	4.5	4.5	4.5
Urbanization (%) .....	36.3	37.2	39.0	40.5	42.0
Per capita annual consumer expenditure of urban household (Rmb) .....	6,218	7,213	8,324	8,357	10,598

*Source: Jiangsu Statistical Yearbooks 2005/2006/2007/2008; Lianyungang Statistical Yearbook 2008; Provisional figure from Lianyungang Statistical Announcement 2008*



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## INDUSTRY OVERVIEW

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### Real Estate Investments in Lianyungang (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Real Estate Investment .....	2.7	3.5	5.5	7.9	11.3

*Source: Lianyungang Statistical Yearbooks 2004/2005/2006/2007/2008; Jiangsu Statistical Yearbook 2008; Provisional figure from Lianyungang Statistical Announcement 2008*

### Residential Property Market

#### Lianyungang's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters) .....	980.2	967.0	1,442.8	1,977.0	2,225.6
Residential <u>GFA</u> under development (thousand square meters) .....	2,153.9	3,057.5	5,180.3	8,133.7	11,083.7
Residential GFA Sold (thousand square meters) .....	983.3	1,189.9	1,595.6	2,403.3	1,956.3
Average selling price of residential properties <sup>(1)</sup> (Rmb per square meter) .....	1,559	2,036	2,192	2,396	2,629

*Source: Lianyungang Statistical Yearbooks 2004/2005/2006/2007/2008; Provisional figure from monthly data published by Lianyungang Bureau of Statistics*

(1) Average selling price is calculated by dividing sales revenue by area sold.

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## INDUSTRY OVERVIEW

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### PROPERTY MANAGEMENT INDUSTRY IN CHINA

The Measures for the Administration of Qualifications of Property Management Enterprises 《物業管理企業資質管理辦法》 promulgated by the Ministry of Construction require that the business activities of property management enterprises be regulated through the administration of qualifications starting May 1, 2004.

Under the measures, property management enterprises will be categorized into Class I, II and III. The issuance of qualification certificate for and administration of Class I enterprises will be handled by the competent department for construction under the State Council. The measures also require that property management professionals working at all three classes of property management enterprises must obtain applicable professional credentials according to state regulations. The measures also set out the penalties for various misconducts by property management enterprises.

In 2007, the certification of professional property managers was introduced in China. It is expected that such certification will standardize and thus improve property management services.

On November 26, 2007, MOHURD issued a decision to amend the measures. According to this decision, property management enterprises are called property service enterprises instead.