

INDUSTRY OVERVIEW

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OVERVIEW OF THE PRC ECONOMY

The PRC economy has grown significantly since the PRC Government introduced economic reforms in the late 1970's. China's accession to the World Trade Organization, or the WTO, in 2001 has further accelerated the reform of the PRC economy.

According to the National Bureau of Statistics of the PRC, China's GDP grew at a compound annual growth rate, or CAGR, of approximately 14.9% from 2000 to 2008. China's GDP grew 9.0% over 2008, reaching RMB30,067 billion. According to the Eleventh Five-Year Plan for National Economic and Social Development, the PRC Government expects to achieve an annual GDP growth of approximately 7.5% in the years from 2006 to 2010. The table below sets out certain selected economic statistics of China for the years indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | CAGR |
|---------------------------|---------|----------|----------|----------|----------|----------|----------|----------|--------------------|----------------------|
| Nominal GDP | | | | | | | | | | |
| (RMB in billions) | 9,921.5 | 10,965.5 | 12,033.3 | 13,582.3 | 15,987.8 | 18,386.8 | 21,087.1 | 24,661.9 | 30,067.0 | 14.9% |
| Real GDP growth rate (%) | 8.4 | 8.3 | 9.1 | 10.0 | 10.1 | 10.4 | 11.1 | 11.4 | 9.0 | 0.9% |
| Per capita GDP (RMB). . . | 7,858.0 | 8,622.0 | 9,398.0 | 10,542.0 | 12,336.0 | 14,103.0 | 16,084.0 | 18,934.0 | N/A ⁽²⁾ | 13.4% ⁽¹⁾ |

Source: *China Statistical Yearbook 2007, National Bureau of Statistics of the PRC and 2007 China National Economy and Social Development Statistical Communique*

Notes:

(1) The CAGR between 2000 and 2007.

(2) The figure is not yet available.

INDUSTRY OVERVIEW

In line with the nominal GDP growth, China’s per capita disposable annual income for urban households increased from RMB6,280 in 2000 to RMB15,781 in 2008, implying increased purchasing power for urban households throughout China. The following table illustrates the per capita disposable annual income for urban households and the per capita balance of savings in China.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | CAGR |
|--|-------|-------|-------|-------|-------|--------|--------|--------|--------|-------|
| Per capita disposable annual income for urban households (RMB) | 6,280 | 6,860 | 7,703 | 8,472 | 9,422 | 10,493 | 11,760 | 13,786 | 15,781 | 12.2% |
| Per capita balance of savings (RMB) | 5,077 | 5,780 | 6,766 | 8,018 | 9,197 | 10,787 | 12,293 | 17,621 | N/A | 19.5% |

Source: China Statistical Yearbook 2007, and 2007 and 2008 China National Economy and Social Development Statistical Communiqué

THE PRC REAL ESTATE INDUSTRY

Prior to the reform of the PRC property market in 1990s, the PRC real estate development industry was part of the nation’s centrally planned economy. In the 1990s, the PRC Government initiated a number of housing reforms and, as a result, China’s real estate and housing sector began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

Timeline of housing reforms

| | |
|------|---|
| 1988 | National constitution amended by the NPC to permit the transfer of state-owned land use rights |
| 1992 | Commencement of public housing sales in major cities |
| 1994 | Further implementation of reforms by the PRC Government, and the establishment of an all-round employer/employee-funded housing fund |
| 1995 | Regulations regarding sales and pre-sales of real estate issued by the PRC Government, establishing a regulatory framework for real estate sales |
| 1998 | State-allocated housing policy abolished by the PRC Government Regulations on the administration of pre-sales of commodity buildings in Guangdong Province issued by Guangdong municipal government |
| 1999 | The PRC Government extends maximum mortgage term to 30 years The PRC Government increases maximum mortgage financing from 70% to 80% The PRC Government formalizes procedures for the sale of real property in the secondary market |

INDUSTRY OVERVIEW

- 2000 Regulations to standardize the quality of construction projects issued by the PRC Government, establishing a framework to administer construction quality
- 2001 Regulations relating to sales of commodity housing issued by the PRC Government
- 2002 Rules on the Grant of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the PRC Government requiring that land use rights for the purposes of commercial use, tourism, entertainment, commodity housing development and other operational purposes can only be granted by the government through public tender, auction or listing-for-sale
- The PRC Government eliminates the dual system for domestic and overseas home buyers in China
- 2003 The PRC Government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans
- The State Council issued a notice for sustained and healthy development of the real estate market
- 2004 The State Council issued a notice requiring that, with respect to property development projects (excluding affordable housing), the proportion of capital funds should be increased from 20% to 35%
- The Ministry of Construction amended the Measures for the Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法)
- The China Banking Regulatory Commission issued the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) to further strengthen the risk control of commercial banks over their real estate financing
- 2005 The PRC Government instituted additional measures to discourage speculation in certain regional markets including, among others, increasing the minimum required down payment to 30% of the total purchase price, 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 curtail fast increases in property prices, to encourage the development of middle to low-end housing and to promote the healthy development of the PRC real estate industry

INDUSTRY OVERVIEW

2007 The PRC Government issued regulations to increase the annual land use tax, and also to impose such land use tax on foreign invested enterprises

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 has effectively stopped the practice of issuing land use rights certificates in installments

2008 The State Council issued the Notice on Promoting the Economic Use of Land (Guo Fa [2008] No. 3) (《國務院關於促進節約集約用地的通知》(國發[2008]3號)). The notice reinforced the existing policy in respect of idle land by stipulating, among other things, that the disposal policies for idle land shall be implemented strictly. The requirement that not less than 70% of the residential land must be used for developing low-cost rental units, small- to medium-sized units, low-to-medium-cost units and units with a GFA of less than 90 sq.m. is also reinforced in this notice. The notice establishes an additional land premium surcharges on idle land and authorizes the Ministry of Land and Resources to formulate regulations to implement such surcharges.

The PBOC and the CBRC jointly issued the Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知). The notice emphasizes that the financial institutions should tighten the management of loans for certain projects and the management of credit for commercial real estate such as prohibiting from granting loans to property projects for which the land that has been held idle for two years or more.

For additional information on housing reforms and recent regulatory developments with respect to China’s property industry, see “Summary of Principal Legal and Regulatory Provisions” in Appendix V to this document.

Measures affecting the PRC property market

Since 2004, in an effort to reduce the growth rate of China’s economy and 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. In response to concerns over the scale of the increase in property investment, the PRC Government has introduced policies to restrict future development, including:

- limiting the monthly mortgage payment to 50% of an individual borrower’s monthly income and limiting all monthly debt service payments of an individual borrower to 55% of their monthly income;
- increasing the minimum required capital contribution of real estate developers from 20% to 35% of the total projected capital outlay of any property development;

INDUSTRY OVERVIEW

- increasing the reserve requirement ratio of funds that a commercial bank must hold on deposit from 7% to 14.0–17.0%, effectively reducing the amount of money a bank is able to lend; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In April 2005, the Ministry of Construction and other relevant Chinese government authorities jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) followed by a set of new measures. These measures, which are aimed at directly controlling the growth of the real estate industry, include:

- a business tax levy, starting June 1, 2005, on the sales proceeds subject to the length of holding period and type of properties;
- a ban on onward transfer of uncompleted properties;
- an increase of the minimum required loan payment to 30% of the total purchase price;
- an elimination of the preferential mortgage interest rate for residential housing;
- an imposition of a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of land use rights for land which has been idle for two years or more;
- a revocation of projects not in compliance with the planning permits; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

In May 2006, the Ministry of Construction, the NDRC, the PBOC and other relevant PRC government authorities jointly issued the Opinions on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (關於調整住房供應結構穩定住房價格的意見). The opinions reiterated the existing measures and introduced new measures intended to further curtail rapid increases in property prices in large cities and to promote the healthy development of the PRC property market. Among others, these measures include:

- requiring that at least 70% of the land supplied by a local government for residential property development for any given year must be used for developing small to medium-size units at low to medium cost, offered as low-cost rental properties;
- requiring that at least 70% of residential projects GFA approved or constructed on or after June 1, 2006 must consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to conform with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

INDUSTRY OVERVIEW

- imposing a business tax levied on the entire sales proceeds of residential properties sold within five years of purchase, effective June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and also imposing a business tax levied on the difference between the sale price of a property after five years from the purchase date and the original purchase price if such property is not deemed to be an ordinary residential property;
- increasing the minimum amount of down payment from 20% to 30% of the total purchase price for any underlying property if the underlying property has a residential unit floor area of 90 sq.m. or more, effective June 1, 2006. This applies to all existing units and units yet to be completed. A down payment of 20% is required for residential units purchased for self use with floor area of 90 sq.m. and below; and
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds by the total project capital required for the project, thereby restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans.

In May 2006, the Ministry of Land and Resources issued the Urgent Notice on Further Tightening Land Administration (關於當前進一步從嚴土地管理的緊急通知). Under this notice, local governments are required (1) to adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use, (2) to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations regarding penalties on and forfeiture of idle land, and (3) to conduct thorough investigations on illegal use of land and submit a report on such investigations to it by the end of October 2006.

In July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見). The opinions set out the regulations on the investment in property in China by overseas entities or individuals other than for self-use, and include the following:

- an overseas entity or individual investing in property shall apply for the establishment of a FIREE, and may only conduct operations within its authorized business scope;
- the registered capital of a FIREE with a total investment of US\$10 million or above shall not be less than 50% of its total investment amount;
- a newly established FIREE can only obtain an approval certificate and business license that is valid for one year. The approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant authorities after the land premium has been paid;

INDUSTRY OVERVIEW

- an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic property enterprise by foreign investors, must first be approved by the Ministry of Commerce or its local counterpart. Foreign investors acquiring a domestic property enterprise through an equity transfer or acquiring equity interest from a Chinese partner in an equity joint venture shall pay the purchase price in one lump sum from its own capital;
- if the registered capital of a FIREE is not fully paid up, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and the SAFE shall not approve the settlement of any foreign loans;
- the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and
- a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

In December 2006, SAT 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) with effect from February 1, 2007. This notice regulates, among others, (1) the conditions under which LAT must be settled; (2) the methods in which taxable gains are computed; (3) identifying items which are allowable deductible costs; (4) time frame for settlement of the LAT, and (5) requirements for filing of documents. The purpose of the Notice was to regulate the settlement of LAT by property development enterprises more stringently. Pursuant to this notice, effective February 1, 2007, a real property developer must settle the relevant LAT payment of its property development projects with the tax authorities in accordance with the applicable LAT tax rates. LAT must be paid if a project meets any of the following requirements: (1) the property development project has been completed and sold out; (2) the entire uncompleted and unsettled development project is transferred; or (3) the land-use rights of the relevant project are transferred.

In May 2007, the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Investment in the Real Estate Sector in the PRC (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), which provides that:

- foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;
- prior to obtaining approval for the establishment of FIREEs, either (i) both the land use right certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing title certificates should be entered into;

INDUSTRY OVERVIEW

- enterprises which have been established as foreign-invested enterprises need to obtain approval before expanding their business scope into the real estate sector and foreign-invested enterprises which have been established for real estate development need to obtain approvals to expand their real estate business scope;
- acquisitions of real estate enterprises and foreign investment in the real estate sector by way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to a FIREE may not in any way guarantee a fixed investment return;
- FIREEs approved by local approval authorities must immediately register with the MOFCOM through a filing made by the local approval authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business may not effect foreign exchange settlements of capital account items for those FIREEs which have not completed their filings with the MOFCOM or fail to pass the annual inspections; and
- for those FIREEs approved by local authorities in violation of applicable rules, (i) the MOFCOM will investigate, impose punishments and require corrections, and (ii) foreign exchange administrative authorities will not accept the foreign exchange registrations of such enterprises.

In July 2007, the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Property 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) indicating that it would not process for foreign investment enterprises in the real estate sector any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with the MOFCOM after June 1, 2007. As PRC companies cannot repay any loans or interest associated therewith, under the PRC foreign exchange control system, to persons outside the PRC without registering the foreign debt with the SAFE, this notice effectively prohibits our ability to fund our PRC subsidiaries in the form of loans. See the section entitled “Risk Factors — Risks Relating To China — Government control of currency conversion and changes in foreign exchange regulations in China may limit our ability to utilize our revenue and to obtain adequate financing effectively, and may adversely affect the ability of our PRC subsidiaries to pay dividends or other payments to us, or to satisfy their foreign currency denominated obligations” in this document.

INDUSTRY OVERVIEW

On September 27, 2007, the PBOC and the CBRC promulgated the Circular on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的通知), which further tightened mortgage lending practice for commodity properties, including:

- increasing the down payment requirement applicable to a purchaser acquiring his second residential property to at least 40% and setting the interest rate for these loans at no less than 110% of the respective PBOC benchmark interest rate for loans of the same kind and the same term, if the purchaser has any outstanding loan with respect to his or her first property; and
- increasing the down payment requirement for commercial properties such as offices and shopping malls from 40% to 50% of the purchase price.

The circular emphasizes that commercial banks must not offer loans to property developers which have been verified by land and resource and construction authorities to hoard land and buildings. In addition, commercial banks are banned from offering loans to projects that have less than 35% of the necessary capital funds (proprietary interests), or that fail to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits. Commercial banks are also prohibited from accepting commercial properties that have been vacant for more than three years as security for any loans. In principle, property development loans provided by commercial banks should only be used for the projects in the areas where the commercial banks are located. Otherwise, commercial banks should carry out effective risk control measures and make filings with the PRC supervisory authorities before disbursement of the loans.

On December 5, 2007, the PBOC and the CBRC jointly issued the Supplemental Circular on Strengthening the Administration 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 terms of property mortgage loans should be calculated on a family basis, including the borrower, his spouse and minor child.

On January 3, 2008, the State Council issued the Notice on Promoting Economizing Land Use (關於促進節約集約用地的通知) with respect to the collection of additional land premiums, 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 emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land premium. The notice also establishes an additional land premium surcharges on idle land and authorizes the Ministry of Land and Resources to formulate regulations to implement such surcharges. The notice further urges financial institutions to exercise caution when processing loan applications from property developers that have failed (i) to commence construction; (ii) to complete development of at least one-third of the land area; or (iii) to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice states that the relevant governmental authorities will formulate and issue further rules and regulations on such requirements.

On June 18, 2008, the MOFCOM issued the Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector (關於做好外商投資房地產業備案工作的通知). According to the notice, since July 1, 2008, the MOFCOM entrusts its provincial level branches to review the filing

INDUSTRY OVERVIEW

materials with respect to foreign investment in real estate sector and check and confirm the legality, authenticity and accuracy of the materials. The MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches.

On July 29, 2008, the PBOC and the CBRC jointly issued the Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知). The Notice emphasizes that the financial institutions should tighten the management of loans for certain projects, including construction projects, municipal infrastructures and industrial land use projects, rural collective construction land use projects, and should tighten the management of credit for commercial real estate. The commercial banks are prohibited from granting loans to the property developers for payment of land premium and to the property projects including but not limited to the followings:

- the construction projects for which the relevant land falls into the catalog of banned land use projects;
- the property development projects for which the relevant land is supposed to be developed for rural collective construction land use; and
- the property development projects for which the relevant land has been idle for two years or more.

For additional information on measures affecting the PRC real estate market, please see “Summary of Principal Legal and Regulatory Provisions” in Appendix V to this document.

From 2000 to 2008, according to the National Bureau of Statistics of the PRC, China’s urbanization rate (i.e. the proportion of population residing in urban areas) increased from 36.2% to 45.7% and urban population increased from 459 million to 607 million during the same period, representing a CAGR of 3.6%.

The following table sets forth China’s urbanization rate for the years indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | CAGR |
|---|-------|-------|-------|-------|-------|--------|--------|--------|--------|-------|
| Urban population (millions) | 459 | 481 | 502 | 524 | 543 | 562 | 577 | 594 | 607 | 3.6% |
| Total population (millions) | 1,267 | 1,276 | 1,285 | 1,292 | 1,300 | 1,308 | 1,314 | 1,321 | 1,328 | 0.6% |
| Urbanization rate (%) | 36.2 | 37.7 | 39.1 | 40.5 | 41.8 | 43.0 | 43.9 | 44.9 | 45.7 | 3.0% |
| Per capita disposable income for urban households (RMB) | 6,280 | 6,860 | 7,703 | 8,472 | 9,422 | 10,493 | 11,759 | 13,786 | 15,781 | 12.2% |

Source: China Statistical Yearbook 2007, and 2007 and 2008 China National Economy and Social Development Statistical Communique

Commodity Property Sales

The continuous upward trend in the China real estate industry is backed by rising prices and strong demand. According to the National Bureau of Statistics of the PRC, a total GFA of 585 million sq.m. was completed in the PRC in 2008, representing a 4.8% increase from 2006.

INDUSTRY OVERVIEW

The table below sets forth certain information on the major supply and demand indicators for the years indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | CAGR |
|---|---------|---------|---------|---------|---------|---------|---------|---------|--------------------|---------------------|
| Investment in real estate (RMB in billions) | 498.4 | 634.4 | 779.1 | 1,015.4 | 1,315.8 | 1,590.9 | 1,942.2 | 2,528.0 | 3,058.0 | 25.5% |
| Total GFA completed (sq.m. in millions) | 251.0 | 298.7 | 349.8 | 414.6 | 424.6 | 534.2 | 558.3 | 582.4 | 585.0 | 11.2% |
| Total GFA sold (sq.m. in millions) | 186.4 | 224.1 | 268.1 | 337.2 | 382.3 | 554.9 | 618.6 | 761.9 | 620.9 | 16.2% |
| Residential GFA sold (sq.m. in millions) | 165.7 | 199.4 | 237.0 | 297.8 | 338.2 | 495.9 | 554.2 | 691.0 | 558.9 | 16.4% |
| Average price of properties per sq.m. (RMB) | 2,112.0 | 2,170.0 | 2,250.0 | 2,359.0 | 2,778.0 | 3,168.0 | 3,367.0 | 3,864.0 | N/A ⁽¹⁾ | 9.0% ⁽²⁾ |
| Average price of residential properties per sq.m. (RMB) | 1,948.0 | 2,017.0 | 2,092.0 | 2,197.0 | 2,608.0 | 2,937.0 | 3,119.0 | 3,645.0 | N/A ⁽¹⁾ | 9.4% ⁽²⁾ |

Source: China Statistical Yearbook 2007 and 2008, National Bureau of Statistics of the PRC, and 2007 and 2008 China National Economy and Social Development Statistical Communique

Notes:

(1) The figure is not yet available.

(2) The CAGR between 2000 and 2007.

Prices for real estate in China also increased from 2000 to 2008. According to the National Bureau of Statistics of the PRC, the average price per sq.m. for the overall property market, including both commercial (which includes retail, office and hotel properties) and residential properties, increased from RMB2,112 per sq.m. in 2000 to RMB3,864 per sq.m. in 2007, representing a CAGR of 9.0%.

Property Revenue

The upward trend in the China property industry is evidenced by the growth of the revenue from the sale of properties in the PRC. According to the China Statistical Yearbook 2007, the total revenue from commodity property sales in the PRC grew from approximately RMB393.5 billion in 2000 to approximately RMB2,082.6 billion in 2006. Total GFA sold in the PRC increased from approximately 186.4 million sq.m. in 2000 to approximately 620.9 million sq.m. in 2008.

INDUSTRY OVERVIEW

THE REAL ESTATE MARKET IN GUANGDONG PROVINCE

Guangdong Province is located in the southern region of China. It occupies a total area of approximately 180,000 square kilometers. In 2008, Guangdong Province had a population of approximately 95 million. The real GDP growth rate of Guangdong Province exceeded the national growth rate in each of the past ten years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics for Guangdong Province for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------|---------|----------|---------|---------|---------|---------|---------|---------|
| Nominal GDP (RMB in billions) | 1,074.1 | 1,203.9 | 1,350.24 | 1,584.5 | 1,886.5 | 2,236.7 | 2,620.4 | 3,067.4 | 3,569.7 |
| GDP growth rate (%) | 11.5 | 10.5 | 12.4 | 14.8 | 14.8 | 13.8 | 14.6 | 14.5 | 10.1 |
| Per capita GDP (RMB). | 12,736 | 13,852 | 15,365 | 17,798 | 20,876 | 24,438 | 28,332 | 32,723 | 37,588 |
| Per capita disposable income for urban households (RMB). | 9,762 | 10,415 | 11,137 | 12,380 | 13,628 | 14,970 | 16,016 | 17,699 | 19,733 |

Source: Guangdong Statistical Yearbook 2007 and 2008, and 2007 and 2008 Guangdong Province National Economy and Social Development Statistical Communique

According to 2008 Guangdong Province National Economy and Social Development Statistical Communique, properties with a total GFA of 43.6 million sq.m. were completed in Guangdong Province in 2008, of which 34.8 million sq.m. was residential property. A total of 48.2 million sq.m. of commodity property was sold, of which 43.8 million sq.m. was residential property.

The Real Estate Market in Shenzhen

Shenzhen is the first special economic zone in China. It occupies a total area of approximately 1,953 square kilometers and had a population of approximately 8.6 million as of December 31, 2008. Shenzhen's GDP reached approximately RMB780.7 billion in 2008. In 2008, Shenzhen's per capita GDP was RMB89,814. The table below sets out selected economic statistics for Shenzhen for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP (RMB in billions) | 218.7 | 248.2 | 297.0 | 258.6 | 428.2 | 495.1 | 581.4 | 676.5 | 780.7 |
| GDP growth rate (%) | 15.7 | 14.3 | 15.8 | 19.2 | 19.2 | 15.0 | 16.6 | 14.7 | 12.1 |
| Per capita GDP (RMB). | 32,800 | 34,822 | 40,369 | 47,029 | 54,236 | 60,801 | 69,450 | 79,221 | 89,814 |
| Per capita disposable income for urban households (RMB). | 20,906 | 22,760 | 24,941 | 25,936 | 27,596 | 21,494 | 22,567 | 24,871 | 26,729 |

Source: Guangdong Statistical Yearbook 2007 and 2008, and 2007 and 2008 Shenzhen National Economy and Social Development Statistical Communique

INDUSTRY OVERVIEW

The Real Estate Market in Guangzhou

Guangzhou is situated at the southern part of the Pearl River Delta region and is the provincial capital of Guangdong Province. It occupies a total area of approximately 7,434 square kilometers and had a population of approximately 10.2 million as of December 31, 2008. From 2007 to 2008, the population of Guangzhou has increased by 136,200, representing an increase of approximately 1.4%. In 2005, Guangzhou was the third largest city in China in terms of GDP. In 2008, Guangzhou’s nominal GDP reached approximately RMB821.6 billion, while real GDP grew approximately 12.3% over 2008.

The table below sets forth certain information of selected economic statistics of Guangzhou for the years indicated:

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------------------|
| Nominal GDP (RMB in billions) | 249.3 | 284.2 | 320.4 | 375.9 | 445.1 | 515.4 | 607.3 | 705.1 | 821.6 |
| GDP growth rate (%) | 13.4 | 12.7 | 13.2 | 15.2 | 15.0 | 12.9 | 14.8 | 14.5 | 12.3 |
| Per capita GDP (RMB). | 25,626 | 28,537 | 32,339 | 38,398 | 45,906 | 53,809 | 63,100 | 71,808 | N/A ⁽¹⁾ |
| Per capita disposable income for urban households (RMB). | 13,967 | 14,694 | 13,380 | 15,003 | 16,884 | 18,287 | 19,851 | 22,469 | 25,317 |

Source: Guangzhou Statistical Yearbook 2006, Guangzhou Statistical Yearbook 2007, and 2007 Guangzhou National Economy and Social Development Statistical Communique

Note:

(1) *The figure is not yet available.*

In line with the growth in the economy and population of Guangzhou, housing demand in Guangzhou experienced an upward trend in recent years. According to the Guangdong Province Bureau of Statistics, total property investments in Guangzhou (including residential and non-residential properties) amounted to approximately RMB70.4 billion in 2007 and total residential property investments in Guangzhou amounted to approximately RMB41.3 billion in 2007, representing an increase of approximately 27.1% as compared to approximately RMB32.5 billion in 2000.

INDUSTRY OVERVIEW

According to the Guangdong Province Bureau of Statistics, the total GFA of completed residential properties in 2006 in Guangzhou was approximately 7.7 million sq.m. In 2006, total residential GFA sold in Guangzhou amounted to approximately 11.6 million sq.m., representing an increase of approximately 2.7% over 2005. The average selling price per sq.m. of residential properties in Guangzhou in 2006 was approximately RMB6,129, representing an increase of approximately 21.6% from 2005. The table below sets out key statistics relating to the real estate market in Guangzhou for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------|------|-------|-------|-------|-------|-------|--------------------|
| GFA completed (sq.m. in millions) | 7.0 | 6.7 | 8.7 | 9.0 | 8.0 | 8.0 | 7.7 | N/A ⁽¹⁾ |
| GFA sold (sq.m. in millions). | 5.1 | 5.1 | 11.0 | 12.3 | 12.7 | 11.3 | 11.6 | N/A ⁽¹⁾ |
| Average price of residential properties (RMB/sq.m.) | 3,980 | N/A | 3,943 | 3,967 | 4,438 | 5,041 | 6,129 | N/A ⁽¹⁾ |
| Revenue (RMB in billions). | 20.2 | 23.8 | 41.8 | 48.8 | 56.2 | 57.0 | 71.1 | N/A ⁽¹⁾ |

Source: Guangdong Statistical Yearbook 2007, Guangzhou Statistical Yearbook 2001 to 2006.

Note:

(1) *The figure is not yet available.*

The Real Estate Market in Huizhou

Huizhou is located in the southeastern region of Guangdong Province. It occupies a total area of approximately 11,158 square kilometers and had a population of approximately 3.9 million as of December 31, 2008. Huizhou's GDP reached approximately RMB129.0 billion in 2008, representing a per capita GDP of approximately RMB33,077. The table below sets out the selected statistics of Huizhou for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP (RMB in billions) | 43.9 | 47.9 | 52.7 | 58.6 | 66.6 | 90.3 | 93.3 | 110.5 | 129.0 |
| GDP growth rate (%) | 11.3 | 9.5 | 10.7 | 12.2 | 15.1 | 15.8 | 16.3 | 17.4 | 11.5 |
| Per capita GDP (RMB). | 13,877 | 14,590 | 15,529 | 16,860 | 19,189 | 21,896 | 24,996 | 28,945 | 33,077 |
| Per capita disposable income for urban households (RMB). | 9,825 | 10,014 | 10,691 | 12,673 | 13,822 | 14,884 | 15,991 | 17,310 | 19,481 |

Source: Huizhou Statistical Yearbook 2005, 2006 Huizhou National Economy and Social Development Statistical Communique, and 2007 and 2008 Huizhou National Economy and Social Development Statistical Communique

INDUSTRY OVERVIEW

According to the Huizhou Municipal Bureau of Statistics, a total residential GFA of approximately 3.0 million sq.m. was sold in Huizhou in 2008, which represented an approximately 24.2% decrease from 2007. The average selling price experienced an increase of approximately 38.5% from RMB2,976 per sq.m. in 2006 to RMB4,121 per sq.m. in 2008. Sales value rose more than 157.6%, from approximately RMB2.9 billion in 2005 to approximately RMB7.6 billion in 2006.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---------|---------|---------|---------|---------|-----------|-----------|--------------------|--------------------|
| GFA completed (sq.m.) | 494,905 | 434,725 | 678,958 | 865,313 | 773,041 | 1,100,985 | 1,730,154 | 2,131,000 | 2,428,000 |
| GFA sold (sq.m.) | 456,977 | 419,529 | 529,864 | 818,804 | 912,597 | 1,320,973 | 2,547,081 | 3,906,000 | 2,959,000 |
| Average price of residential properties (RMB/sq.m.) | 1,659 | 1,683 | 1,992 | 1,836 | 2,076 | 2,227 | 2,976 | 3,998 | 4,121 |
| Revenue (RMB in millions) | 758 | 706 | 1,055 | 1,504 | 1,894 | 2,942 | 7,580 | N/A ⁽¹⁾ | N/A ⁽¹⁾ |

Source: Huizhou Statistical Yearbook 2001 to 2006, and Huizhou National Economy and Social Development Statistical Communique 2007 and 2008

Note:

(1) *The figure is not yet available.*

The Real Estate Market in Dongguan

Dongguan is located in the mid-eastern region of Guangdong Province. It occupies a total area of approximately 2,465 square kilometers and had a population of approximately 1.7 million as of December 31, 2008. Dongguan's GDP reached approximately RMB370.3 billion in 2008, representing a per capita GDP of approximately RMB53,285. The table below sets out selected economic statistics for Dongguan for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP (RMB in billions) | 82.0 | 99.2 | 118.7 | 145.3 | 180.6 | 218.2 | 262.7 | 315.1 | 370.3 |
| GDP growth rate (%) | 19.7 | 19.9 | 20.5 | 20.5 | 21.0 | 19.4 | 19.2 | 18.1 | 14.0 |
| Per capita GDP (RMB). | 13,679 | 15,268 | 18,131 | 22,174 | 27,554 | 33,263 | 39,468 | 46,014 | 53,285 |
| Per capita disposable income for urban households (RMB). | 14,142 | 16,938 | 16,949 | 18,471 | 20,526 | 22,882 | 25,320 | 27,025 | 30,275 |

Source: Guangdong Statistical Yearbook 2007, Dongguan Statistical Yearbook 2001 to 2006, and Dongguan National Economy and Social Development Statistical Communique 2007 and 2008

INDUSTRY OVERVIEW

According to 2007 Dongguan National Economy and Social Development Statistical Communique, a total residential GFA of approximately 5.1 million sq.m. was sold in Dongguan in 2008, which represented an approximately 5.6% decrease from 2007. Sales value decreased 2.3% from RMB27.4 billion in 2007 to approximately RMB26.7 billion in 2008.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|-------|-------|-------|-------|-------|------|--------|--------|--------|
| GFA completed (sq.m. in million) | 0.8 | 1.0 | 1.2 | 2.2 | 1.5 | 1.2 | 1.1 | 1.4 | 1.0 |
| GFA sold (sq.m. in millions). | 0.5 | 0.7 | 0.8 | 1.4 | 1.4 | 3.0 | 3.5 | 5.4 | 5.1 |
| Average price of residential properties (RMB/sq.m.) . . | 2,215 | 2,512 | 2,906 | 3,341 | 3,297 | N/A | 4,137 | 5,068 | 5,241 |
| Revenue (RMB in millions) . | 1,130 | 1,777 | 2,407 | 4,741 | 4,695 | N/A | 14,604 | 27,367 | 26,731 |

Source: Dongguan Statistical Yearbook 2001, 2002, 2004, 2006, and 2006, 2007 and 2008 Dongguan National Economy and Social Development Statistical Communique

The Real Estate Market in Zhuhai

Zhuhai is one of the special economic zones in Guangdong Province. It occupies a total area of approximately 1,687.8 square kilometers and had a population of approximately 1.5 million as of December 31, 2008. Zhuhai's GDP reached approximately RMB99.2 billion in 2008, representing a per capita GDP of approximately RMB67,591. The table below sets out selected economic statistics for Zhuhai for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP (RMB in billions) | 33.1 | 36.8 | 40.9 | 47.7 | 55.2 | 63.5 | 74.7 | 88.7 | 99.2 |
| GDP growth rate (%) | 12.0 | 12.1 | 12.4 | 17.5 | 14.2 | 13.4 | 16.4 | 16.5 | 9.0 |
| Per capita GDP (RMB). | 27,693 | 29,222 | 31,457 | 35,781 | 40,311 | 45,284 | 52,185 | 61,071 | 67,591 |
| Per capita disposable income for urban households (RMB). | 15,110 | 15,879 | 15,320 | 16,602 | 18,347 | 18,908 | 17,671 | 19,290 | 20,949 |

Source: Zhuhai Statistical Yearbook 2007, and 2007 and 2008 Zhuhai National Economy and Social Development Statistical Communique

According to the Zhuhai National Economy and Social Development Statistical Communique 2008, a total residential GFA of approximately 1.7 million sq.m. was sold in Zhuhai in 2008 or sales volume of RMB12.2 billion.

INDUSTRY OVERVIEW

THE REAL ESTATE MARKET IN SICHUAN PROVINCE

The Real Estate Market in Chengdu

Chengdu is the capital of Sichuan Province, located in the Chengdu-Chongqing region. It occupies a total area of approximately 12,390 square kilometers and had a population of approximately 11.3 million as of December 31, 2008. Chengdu’s real GDP grew 12.1% over 2008, reaching RMB390.1 billion. Chengdu’s annual disposable income per capita grew at an average annual growth rate of 10.0% between 2000 to 2008.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP (RMB in billions) | 115.7 | 132.2 | 148.9 | 170.5 | 203.1 | 237.1 | 275.0 | 332.4 | 390.1 |
| Real GDP growth rate (%) | N/A ⁽¹⁾ | 12.8 | 13.1 | 13.0 | 13.6 | 13.5 | 13.8 | 15.3 | 12.1 |
| Per capita GDP (RMB). | 11,471 | 13,004 | 14,536 | 16,454 | 19,304 | 22,139 | 25,171 | 26,527 | 30,855 |

Source: Chengdu Statistical Yearbook 2007, and 2007 and 2008 Chengdu National Economy and Social Development Statistical Communique

Note:

(1) *The figure is not available.*

According to 2008 Chengdu National Economy and Social Development Statistical Communique, a total residential GFA of approximately 12.7 million sq.m. was sold in Chengdu in 2008, which represented a 43.2% decrease from 2007. The average selling price of residential properties experienced an approximately 160.9% increase from approximately RMB1,608 per sq.m. in 2000 to approximately RMB4,195 per sq.m. in 2007. Sales value of residential properties rose 880% from approximately RMB6.4 billion in 2000 to approximately RMB62.7 billion in 2008, representing a CAGR 33.0%.

THE REAL ESTATE MARKET IN HUNAN PROVINCE

The Real Estate Market in Changsha

Changsha is the provincial capital of Hunan Province, located in the Central China region. In 2008, Changsha had a population of approximately 6.6 million. Changsha’s GDP reached approximately RMB300.1 billion in 2008, representing a per capita GDP of approximately RMB45,765.

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

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP (RMB in billions) | 65.6 | 72.8 | 81.3 | 92.8 | 110.9 | 152.0 | 179.1 | 219.0 | 300.1 |
| GDP growth rate (%) | 11.3 | 12.1 | 12.7 | 14.0 | 14.8 | 14.9 | 14.8 | 16.0 | 15.1 |
| Per capita GDP (RMB). | 11,262 | 12,436 | 13,747 | 15,506 | 18,296 | 23,968 | 27,982 | 33,711 | 45,765 |
| Per capita disposable income for urban households (RMB). | 7,985 | 8,704 | 9,021 | 9,933 | 11,021 | 12,434 | 13,924 | 16,153 | 18,282 |

Source: 2000 to 2008 Changsha National Economy and Social Development Statistical Communique

INDUSTRY OVERVIEW

According to 2007 Changsha National Economy and Social Development Statistical Communique, properties with a total GFA of approximately 30.5 million sq.m. were completed in Changsha in 2007, representing an increase of approximately 8.3% over 2006. A total of approximately 8.2 million sq.m. of commodity property was sold in 2008.

THE REAL ESTATE MARKET IN SHANGHAI

Shanghai is located in the eastern part of China. It occupies a total area of approximately 6,341 square kilometers. In 2008, Shanghai had a population of approximately 18.9 million. The table below sets out selected economic statistics for Shanghai for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|--------|--------|--------|--------|--------|--------|--------|--------------------|--------------------|
| Nominal GDP (RMB in billions) | 477 | 521 | 574 | 669 | 807 | 916 | 1,037 | 1,200 | 1,370 |
| GDP growth rate (%) | 11.0 | 10.5 | 11.3 | 12.3 | 14.2 | 11.1 | 12.0 | 13.3 | 9.7 |
| Per capita GDP (RMB). | 36,217 | 39,340 | 43,143 | 50,032 | 59,928 | 67,565 | 75,990 | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| Per capita disposal income for urban households (RMB) | 11,718 | 12,883 | 13,250 | 14,867 | 16,683 | 18,645 | 20,668 | 23,623 | 26,675 |

Source: Shanghai Statistical Yearbook 2007, and 2007 and 2008 Shanghai National Economy and Social Development Statistical Communique

Note:

(1) *The figure is not yet available.*

According to 2008 Shanghai National Economy and Social Development Statistical Communique, properties with a total GFA of 38.3 million sq.m. were completed in Shanghai in 2008. A total of 22.96 million sq.m. of commodity property was sold, of which 19.7 million sq.m. was residential property. The total sales revenue amounted to approximately RMB189.5 billion, of which approximately RMB161 billion was from the sales of residential properties. The average price per sq.m. of commodity and residential properties in Shanghai in 2007 was RMB2,522 and RMB2,301, respectively.

THE REAL ESTATE MARKET IN SHENYANG

Shenyang is located in Liaoning Province in the north-eastern part of China. It has an area of approximately 12,980 square kilometers. In 2007, Shenyang had a population of approximately 7.1 million. The table below sets out selected economic statistics for Shenyang for the periods indicated.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Nominal GDP (RMB in billions) | 107 | 117 | 133 | 150 | 177 | 208 | 252 | 307 |
| GDP growth rate (%) | 10.3 | 10.1 | 13.1 | 14.2 | 15.5 | 16.0 | 16.7 | 17.7 |
| Per capita GDP (RMB). | 15,666 | 17,992 | 19,242 | 21,798 | 25,640 | 29,935 | 35,940 | 43,499 |
| Per capita disposal income for urban households (RMB) | 5,850 | 6,386 | 7,050 | 7,961 | 8,924 | 10,098 | 11,651 | 14,616 |

Source: Shenyang Statistical Yearbook 2003, Shenyang Statistical Yearbook 2005, Shenyang Statistical Yearbook 2006, and 2007 Shenyang National Economy and Social Development Statistical Communique

INDUSTRY OVERVIEW

According to 2007 Shenyang National Economy and Social Development Statistical Communique, properties with a total GFA of 12.9 million sq.m. were completed in Shenyang in 2007. A total of 14.6 million sq.m. of commodity property was sold, of which 13.6 million sq.m. was residential property. The total sales revenue amounted to approximately RMB53.9 billion, of which approximately RMB47.9 billion was from the sales of residential properties. The average price per sq.m. of commodity and residential properties in Shenyang in 2007 was RMB3,689 and RMB3,525, respectively.

COMPETITION AND STRENGTHS

We believe that the property markets in the Pearl River Delta region are highly fragmented. For more information on competition, see the section entitled “Business — Competition” in this document. We believe that we have certain competitive strengths notwithstanding the competition with the other PRC real estate property developers. For more information on our competitive strengths, see the section entitled “Business — Our Competitive Strengths” in this document.