

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 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's GDP increased from approximately RMB9,921 billion in 2000 to approximately RMB34,051 billion in 2009, reflecting a compounded annual growth rate, or CAGR, of approximately 14.7%. In 2009, China's real GDP growth rate was approximately 9.1%.

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

Economic statistics of China

	2002	2003	2004	2005	2006	2007	2008	2009	1H2010
Nominal GDP (RMB billion)	12,033	13,582	15,988	18,494	21,631	26,581	31,405	34,051	17,284
Real GDP growth rate	9.1%	10.0%	10.1%	11.3%	12.7%	14.2%	9.6%	9.1%	11.1%
Per capita GDP (RMB) ¹	9,398	10,542	12,336	14,185	16,500	20,169	23,708	25,575	N/A
Total investment in fixed assets (RMB billion)	4,350	5,557	7,048	8,877	11,000	13,732	17,283	22,460	11,419
Fixed-asset investment growth	16.9%	27.7%	26.8%	26.0%	23.9%	24.8%	25.9%	30.0%	25.0%
Foreign direct investment (US\$ billion)	52.7	53.5	60.6	60.3	63.0	74.8	92.4	90.0	N/A

Source: National Bureau of Statistics of China.

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In addition, the cities where we have property developments and investments also experienced high GDP growth between 2004 and the first half of 2010.

	2004		2005		2006		2007		2008		2009		1H2010
	GDP	Growth rate	GDP	Growth rate	GDP	Growth rate	GDP	Growth rate	GDP	Growth rate	GDP	Growth rate	GDP
	(RMB billion)	(%)	(RMB billion)	(%)	(RMB billion)	(%)	(RMB billion)	(%)	(RMB billion)	(%)	(RMB billion)	(%)	(RMB billion)
China	15,987.8	17.7	18,493.7	15.7	21,631.4	17.0	26,581.0	22.9	31,404.5	18.1	34,050.7	8.4	17,284.0
Changzhou	110.1	22.1	130.3	18.4	156.9	20.4	188.1	19.9	220.2	17.1	251.9	14.4	142.2
Chengdu	203.1	19.1	237.1	16.7	275.0	16.0	332.4	20.9	390.1	17.4	450.3	15.4	236.4
Dongguan	180.6	24.3	218.2	20.8	262.7	20.4	315.2	20.0	370.3	17.5	376.3	1.6	193.8
Guangzhou	445.1	18.4	515.4	15.8	607.4	17.8	710.9	17.0	821.6	15.6	911.3	10.9	488.6
Hangzhou	254.3	21.1	294.3	15.7	344.2	17.0	410.0	19.1	478.1	16.6	509.9	6.6	254.1
Shenzhen	428.2	19.4	495.1	15.6	581.4	17.4	680.2	17.0	780.7	14.8	820.1	5.1	421.6
Tianjin	311.1	20.7%	390.6	25.5%	446.3	14.3%	525.3	17.7%	671.9	27.9%	752.2	11.9%	410.6

Source: National Bureau of Statistics of China and the Statistics Bureaus of PRC cities included in the table above. Certain growth rates have been calculated on the basis of sourced data.

The table below sets forth the GDP per capita and growth rate for the periods indicated.

	2004		2005		2006		2007		2008		2009		1H2010
	GDP per Capita	Growth rate	GDP per Capita	Growth rate	GDP per Capita	Growth rate	GDP per Capita	Growth rate	GDP per Capita	Growth rate	GDP per Capita	Growth rate	GDP per Capita
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)
China	12,336	17.0	14,185	15.0	16,500	16.3	20,169	22.2	23,708	17.5	25,575	7.9	N/A
Changzhou	31,665	21.1	31,997	1.0	37,435	17.0	43,695	16.7	50,283	15.1	56,861	13.1	N/A
Chengdu	19,307	17.3	22,139	14.7	25,171	13.7	30,006	19.2	34,873	16.2	39,510	13.3	N/A
Dongguan	27,554	24.3	33,263	20.7	39,478	18.7	46,027	16.6	53,285	15.8	56,591	6.2	N/A
Guangzhou	45,906	19.6	53,809	17.2	63,100	17.3	71,808	13.8	81,233	13.1	88,834	9.4	N/A
Hangzhou	39,293	19.7	44,853	14.2	51,878	15.7	61,258	18.1	70,832	15.6	74,924	5.8	N/A
Shenzhen	54,236	15.3	60,801	12.1	69,450	14.2	79,645	14.7	89,814	12.8	92,771	3.3	N/A
Tianjin	30,575	19.7%	37,796	23.6%	42,141	11.5%	47,970	13.8%	58,656	22.3%	62,574	6.7%	N/A

Source: National Bureau of Statistics of China and the Statistics Bureaus of PRC cities included in the table 2004 to 1H10. Certain growth rates have been calculated on the basis of sourced data.

Since 2004, with a view to preventing China’s economy from over-heating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed asset investment in China. In particular, the PRC government has taken measures to discourage speculation in the residential property market and to increase the supply of affordable housing. Please see the section headed “Summary of Principal PRC Legal and Regulatory Provisions” in Appendix VI to this prospectus.

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OVERVIEW OF THE PROPERTY MARKET IN THE PRC

Real estate investment in the PRC has risen substantially from RMB1,316 billion in 2004 to RMB3,624 billion in 2009, reflecting a CAGR of 22.5% between 2004 and 2009.

The National Bureau of Statistics of China noted that the urban population in the PRC has increased from 542.8 million in 2004 to approximately 621.9 million in 2009. During the same period, the urban resident per capita disposable income also increased from RMB9,422 to RMB17,175, reflecting a CAGR of 12.8%.

China property market statistics

	2002	2003	2004	2005	2006	2007	2008	2009	1H2010
Total investment in real estate (RMB billion) . . .	779.1	1,015.4	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2	1,974.7
Investment in real estate development in residential properties (RMB billion)	522.8	677.7	883.7	1,086.1	1,363.8	1,800.5	2,244.1	2,561.4	1,369.2
Total GFA sold (million sq.m.)	268.1	337.2	382.3	554.9	618.6	773.5	659.7	947.6	394.0
GFA of residential properties sold (million sq.m.)	237.0	297.8	338.2	495.9	554.2	701.4	592.8	861.8	355.0

Source: National Bureau of Statistics of China.

The average price of commodity properties sold in China increased from RMB2,778 per sq.m. in 2004 to RMB4,681 per sq.m. in 2009, while the average price of residential properties sold increased from RMB2,608 per sq.m. to RMB4,459 per sq.m. during the same period.

For the period from January 2010 to August 2010, total real estate investment in China increased further to RMB2,836 billion and the average price of commodity properties sold in China was relatively stable, as compared to the same period in 2009, with an average price of RMB5,013 per sq.m.

Average Property Prices in China

	2002	2003	2004	2005	2006	2007	2008	2009	1H2010
Average price of commodity properties (RMB/sq.m.)	2,250	2,359	2,778	3,168	3,367	3,864	3,800	4,681	5,036
Average price of residential properties (RMB/sq.m.)	2,092	2,197	2,608	2,937	3,119	3,645	3,576	4,459	N/A

Source: National Bureau of Statistics of China.

REGULATORY DEVELOPMENT OF REAL ESTATE MARKETS IN CHINA

On May 24, 2006, the Ministry of Construction, the NDRC, the PBOC and other relevant PRC government authorities jointly issued the Opinions on Housing Supply Structure and Stabilization of Property Prices (關於調整住房供應結構穩定住房價格意見的通知). The opinions reiterated existing measures and introduced new measures to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, included:

- a requirement that at least 70% of the land supply approved by a local government for residential property development in any given year be used for developing low- to medium-cost, small- to medium-size units and low-cost rental properties;
- a requirement that at least 70% of a residential project's GFA, approved or constructed on or after June 1, 2006, consist of units with a per unit floor area (套型建築面積) less than 90 sq.m. and that projects which have received project approvals prior to such date but have not obtained construction permits adjust their planning to conform with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum down payment, effective June 1, 2006, from 20% to 30% of the purchase price of the underlying property if the underlying property consists of a unit floor area of 90 sq.m. or more, and to 60% of the purchase price for secondary purchases;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant project, of less than 35%, 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 their loans;
- imposing a business tax levy, effective June 1, 2006, on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, where an individual transfers a property, other than an ordinary residential property, after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price. Where an individual transfers an ordinary residential property after five years from his/her purchase, no business tax will be levied.

On May 30, 2006, the Ministry of Land and Resources published the Notice to Further Tighten Land Administration (關於當前進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten control on land supply for non-agricultural use. The notice required local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. The Ministry of Land and Resources also required local governments to conduct thorough investigations into illegal land use and submit the investigative report to it by end of October 2006.

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On July 11, 2006, the Ministry of Construction, the Ministry of Commerce, the NDRC, the PBOC, the State Administration for Industry and Commerce and SAFE jointly promulgated the Opinion on Foreign Investment in Property (規範房地產市場外資准入和管理的意見). The opinions sets out the regulations on the investment in real property market in China by overseas entities or individuals other than for self-residence and stipulated that:

- an overseas entity or individual investing in property shall apply for the establishment of a Foreign-Invested Real Estate Enterprise (“FIREE”) and shall only conduct operations within the 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 right certificate to the relevant government authorities after the land grant premium has been paid;
- 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 by acquiring an 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 right 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 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, 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.

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On December 28, 2006, the State Administration of Taxation promulgated the Circular Concerning the Settlement of LAT Imposed on Property Developers (國家稅務總局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). Pursuant to the circular, effective February 1, 2007, a property developer is to settle the relevant LAT payment of its property development projects with the tax authorities in accordance with the applicable LAT rates. LAT shall be settled for projects approved by the authorities and for projects under development in different stages. Payment of LAT is required if a project meets any of the following requirements:

- the property development project has been completed and sold out;
- the entire incomplete development project is transferred; or
- the land use right of the relevant project is transferred.

In addition, the competent tax authorities may require a property developer to settle the relevant LAT in any of the following circumstances:

- for completed property development projects, where the GFA of the transferred project represents more than 85% of the total saleable GFA of the transferred property, or where the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer;
- the project has not been sold out for more than three years after obtaining the sale or pre-sale permits;
- the developer has applied for the tax de-registration without having settled the relevant LAT; or
- other conditions stipulated by the competent tax authorities.

The tax bureaus at the provincial level could, taking into account local practical conditions, stipulate specific rules or measures on the management of LAT settlement in accordance with the Circular.

In September 2007, the PBOC and the CBRC jointly issued the Notice 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) to further regulate the management of credit loans for commercial real estate, which included measures such as:

- prohibiting commercial banks from lending to real property projects with a project capital ratio (owners' equity) of less than 35%, or projects without a land use right certificate, construction land use planning permit, construction planning permit and/or a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;
- requiring banks to provide financial support to first-time purchasers in purchasing their self-occupied flat, and to grant loans only to purchasers who have purchased flats which have been topped out;

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- requiring a minimum down payment of 20% for a first-time purchase of self-occupied flat with a GFA of less than 90 sq.m. per unit, a minimum down payment of 30% for a first-time purchase of self-occupied flat with a GFA of over 90 sq.m. per unit, and a minimum down payment of 40% in case of an individual who has obtained a mortgage to purchase the second (or more) flat. The loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall increase in correlation with the increase of the number of flats purchased;
- commercial properties purchased with loans shall have been completed and shall have passed the completion acceptance inspection; and
- requiring that for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by the PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the loan term and interest rate shall be subject to the provisions on the administration of commercial properties loans.

On January 3, 2008, the State Council issued the Notice on Promoting Economization of Land 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 urged the full and effective use of existing construction land and the preservation of farming land. The notice also emphasized 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 grant premium. The notice further urged financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice also stated that the relevant government authorities would formulate and issue further rules and regulations on such requirements.

Based on the foregoing, and having made due and careful enquiries, our Directors are of the view that the main purpose of the above notice is to enhance land use efficiency by introducing measures that prevent companies from holding idle land. We typically formulate project development timetables before acquiring land parcels for future development. We also strictly comply with applicable laws and regulations in executing our development timetables. Our Directors are of the view that the above notice will not have any material adverse impact on our operations.

On December 29, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Business Tax Imposed on Individual Transferring the Houses (財政部、國家稅務總局關於個人住房轉讓營業稅政策的通知). The notice provided that from January 1, 2009 to December 31, 2009, business tax would be levied in full where an individual transfers a property other than an ordinary residential property within two years from his/her purchase. Where an individual transfers a property other than an ordinary residential property after two years (including two years) from his/her purchase, or an individual transfers an ordinary residential property within two years from his/her purchase, business tax would be levied on the difference between the price for such re-sale and the original purchase price. Where an individual transfers an ordinary residential property after two years (including two years) from his/her purchase, no business tax would be levied.

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On May 25, 2009, the State Council issued the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Project (國務院關於調整固定資產投資項目資本金比例的通知). The notice provides that the minimum capital requirement for the low- to medium-cost and small- to medium-sized units and ordinary commodity apartments is 20%, and the minimum capital requirement for other real estate development projects is 30%.

On December 22, 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Business Tax Imposed on Individual Transferring the Houses (財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知). The notice provided that from January 1, 2010, where an individual transfers a property other than an ordinary residential property within five years from his/her purchase, business tax would be levied in full. Where an individual transfers a property other than an ordinary residential property after five years (including five years) from his/her purchase, or an individual transfers an ordinary residential property within five years from his/her purchase, business tax would be levied on the difference between the price for such re-sale and the original purchase price. Where an individual transfers an ordinary residential property after five years (including five years) from his/her purchase, no business tax would be levied.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知), which, among other things, requires land authorities to increase their supervision of the enforcement of contracts and to collect land premiums strictly in accordance with land grant contracts.

On March 8, 2010, the Ministry of Land and Resources issued the Notice on Increasing the Supply and Strengthening the Supervision of Land Use for Real Estate Property (國土資源部關於加強房地產用地供應和監管有關問題的通知). The notice, among other things, requires that land authorities at the city and county levels ensure that there is sufficient land supply for government-subsidized residential property. It specifies that the land supply for government-subsidized residential properties, slum reconstruction and small residential units be not less than 70% of the total residential land supply for the respective city or county. It also requires that city and county land authorities prevent those real estate developers who owe land premiums, have idle land, engage in land speculation or price manipulation, have failed to perform according to a land grant contract or those who do not have development capacity of the scale required for the relevant land development from participating in land bidding processes. The Notice further requires that a land grant contract be executed within 10 days after land is granted, that a down payment of 50% of the purchase price be paid within one month of the execution of the land grant contract and that the remainder be paid in accordance with the land grant contract, but no later than one year from the execution of the land grant contract.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the Notice on Further Strengthening the Supervision of the Real Estate Market and Improving the Pre-sale System of Residential Properties (住房和城鄉建設部關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice provides that within ten days of obtaining a pre-sale permit, a real estate developer must publish all housing unit details under the presale permit and the price of each unit.

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On April 17, 2010, the State Council issued the Notice on Resolutely Curbing Soaring Housing Prices in Certain Cities (國務院關於堅決遏制部分城市房價過快上漲的通知). The Notice aims to implement diverse credit policies for different types of purchases. It specifies that families (defined to include the borrower, his/her spouse and their minor children) buying their first residential property with a GFA of 90 sq.m. or more must pay a down payment of at least 30% of the purchase price. It also specifies that families buying their second residential property must pay a down payment of at least 50% of the purchase price and that the interest for the relevant mortgage must not be lower than 110% of the relevant PBOC benchmark interest rate. The Notice also requires lenders to substantially increase down payment proportions and the mortgage loan interest rates for buyers purchasing a third or subsequent residential property. The Notice also calls for heightened supervision of land development, requiring that land authorities restrict real estate developers who have idle land engage in land speculation or engage in price manipulation from purchasing new land.

On May 26, 2010, the Ministry of Housing and Urban-Rural Development, PBOC and CBRC jointly issued the Notice on Regulating the Standard for Determining the Secondary Residence for Individual Housing Loans (住房和城鄉建設部、中國人民銀行、中國銀行業監督管理委員會關於規範商業性個人住房貸款中第二套住房認定標準的通知). The notice provides that residential property purchased by a borrower is deemed to be a secondary residence if (1) the borrower applies for a real estate loan to purchase residential property for the first time but the borrower's family (defined in the Notice to include the borrower, his/her spouse and their minor children) already owns residential property which is registered in the local real estate registration system, (2) the borrower has already financed the purchase of residential property through a housing loan and is applying for another housing loan, or (3) the lender believes, as a result of its due diligence (such as checking the credit information system or interviewing the loan applicant), that the buyer's family already owns residential property. Non-local residents who cannot provide certificates evidencing payment of local taxes or social insurance for more than one year will be treated as a secondary (or subsequent) residence.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development issued the Notice on Further Strengthening the Regulations of Real Estate Land and Construction Management (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知). The notice requires the relevant governmental authorities to (i) strengthen the management of the annual plan for land supply and residential properties construction; (ii) accelerate the approval process for land supply and construction for residential properties; (iii) strengthen the management of land grants for residential properties, (iv) strengthen the supervision on land supply and construction of residential properties; and (v) strengthen the supervision and investigation of illegal behaviors. The Notice requires that land authorities shall prohibit those real estate developers and their controlling shareholders who have engaged in criminal behavior such as obtaining land use right through forgery of official documents, or who have been involved in illegal activities such as illegally transferring land use right, or who have idle land for more than one year as a result of the fault of the company, or whose exploitation of land has been in breach of the relevant land grant contract, from participating in land bidding processes until the aforesaid behaviors have been rectified. Pursuant to the Notice, construction of all residential projects shall commence within one year from the land delivery date specified in the relevant land allocation decisions or the land grant contracts, and shall be completed within three years from the commencement date of the project. The notice also requires that after the grant of land, no companies or individuals are allowed to change the planning and construction conditions without due authorization from the government. If the real estate developers who apply for change of land planning conditions do not commence construction according to the schedule, the land authorities shall take back the land and re-grant the land use right by bidding, auction and listing process to other parties.

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On September 29, 2010, the PBOC and the CBRC issued the Notice on the Improvement of Diversified Residential Credit Policies (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知). The notice requires that all commercial banks to suspend extending loans to individuals for purchase of third or subsequent residences. All commercial banks are also required to suspend extending loans for the purchase of residence to non-local residents who cannot provide certificates evidencing payment of local taxes or social insurance for more than one year. For the purchase of a principal residence, the minimum down payment shall be 30% of the purchase price of the underlying property. Commercial banks are required to stop extending new real estate property loans, or extending existing loans, to real estate developers who holds idle land, who have changed the land use and land status, delayed the commencement date and completion date of construction, or delayed the launch of sales of property projects for speculative purposes.

On September 29, 2010, the Ministry of Finance, State Administration of Taxation Bureau and the Ministry of Housing and Urban-Rural Development issued the Notice on Adjustment of Preferential Policies for Deed Tax and Individual Income Tax for Real Estate Transaction (財政部、國家稅務總局關於住房和城鄉建設部關於調整房地產交易環節契稅個人所得稅優惠政策的通知). The Notice requires that, where an individual purchases an ordinary residential property (being the only residential property for the family (including the purchaser, his/her spouse, and their minor children)); a 50% reduction of deed tax is allowed. Where an individual purchases an ordinary residential property with a total GFA under 90 sq.m. (including a total GFA of 90 sq.m.) and which is the only residential property for the family, the deed tax will be levied at the rate of 1%. Where an individual sells his/her residential property and purchase another residential property within one year, the individual income tax will be levied in full.

According to the Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知) promulgated by the Ministry of Land and Resources on December 19, 2010, land use rights for real estate development shall be granted strictly through tenders, auctions and listing-for-bidding. If a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contracts or relevant laws or regulations, the developer will be disqualified from obtaining land through the bidding process. Pursuant to this circular, regulation on land use for real estate development was also strengthened. If land, which is initially designated for government-subsidized housing, is subsequently used to build commercial houses, the developer's land use right shall be forfeited to the government and all the gains by the developer, if any, shall be confiscated. After the land forfeiture, the relevant land use right shall be sold through the tender, auction or listing-for bidding process under the direction of relevant land and resources authorities.

Pursuant to the Notice on Further Standardization of the Administration of Housing Purchase by Foreign Entities and Individuals (關於進一步規範境外機構和個人購房管理的通知) issued by the Ministry of Housing and Urban-Rural Development and SAFE on November 4, 2010, a foreign individual is only permitted to purchase one residential property for his own use in the PRC. A foreign entity which has branches or representative offices in the PRC is only permitted to purchase non-residential properties for office use in the cities where its branches or representative offices are registered.

In January 2011, the State Council further issued a notice which specified that:

- (i) individuals who resell a residential property within five years of purchase would be subject to a business tax on the proceeds from the resale;

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- (ii) for the purchase of a secondary residence, the minimum down payment is 60% of the purchase price, and the minimum mortgage loan interest is 110% of the relevant PBOC benchmark interest rate.
- (iii) if a property developer fails to obtain the relevant construction permits and fails to commence construction within two years from the designation of land for property development, the relevant land use rights granted would be forfeited and an idle land penalty would be imposed;
- (iv) transfer of land or property development projects are prohibited if the amount of property development investment (excluding the land premium) incurred is less than 25% of the total investment amount in respect of the project;
- (v) families holding local residency and owning two or more residential properties and families holding non-local residency and owning at least one residential property or who cannot provide a local tax payment certificate or a social security certificate are prohibited from purchasing additional residential properties in the local district.

For further details of the regulatory regime of the PRC property sector, please see the section headed “Summary of Principal PRC Legal and Regulatory Provisions” in Appendix VI to this prospectus.

REAL ESTATE REFORM

Reform of the PRC property market did not commence until the late 1980s. Prior to such reform, the PRC real estate 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 its 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 right. |
| 1989 | The PRC government amended regulations to the effect that duly-registered land use right should be protected by law. |
| 1990 | The PRC government issued regulations to formalize the process of land use right grant and transfer for consideration. |
| 1992 | Public housing sales in major cities commenced. |
| 1994 | The PRC government implemented further reforms and established an employer/employee-funded housing fund.

The PRC government issued regulations regarding pre-sale of commodity housing in cities. |
| 1995 | The PRC government issued regulations regarding the transfer of real estate, establishing a regulatory framework for real estate sales. |

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- 1997 The PRC government issued regulations to the effect that duly-registered building ownership rights should be protected by law.
- 1998 The PRC government abolished the state-allocated housing policy.
- Guangdong provincial government issued administrative regulations on pre-sales of commodity buildings in Guangdong Province.
- 1999 The PRC government extended the maximum mortgage term to 30 years.
- The PRC government increased maximum mortgage financing from 70% to 80%.
- The PRC government formalized procedures for the sale of real property in the secondary market.
- 2000 The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality.
- 2001 The PRC government issued regulations relating to sale of commodity properties.
- 2002 The PRC government promulgated the Rules Regarding the Grant of State-owned Land Use Right by Way of Tender, Auction and Listing-For-Sale.
- The PRC government eliminated the dual system for domestic and overseas home buyers in China.
- 2003 The PRC government promulgated rules for more stringent administration of real estate financing for the purpose of reducing the credit and systemic risks associated with such financing.
- The State Council issued a notice for sustained 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 themselves from their capital funds with respect to 35%, rather than 20%, of the total projected capital outlay for such projects.
- The Ministry of Construction amended Administrative Measures on the Presale of Commodity Housing in Cities.
- CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk control of commercial banks over their real estate financing.

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- 2005 The PRC government instituted additional measures to discourage speculation in real properties such as increasing the minimum down payment to 30% of the total purchase price in some cities where the housing price 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 fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry.
- 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 instructions that land use right 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 right certificates in installments.
- The National People's Congress of PRC issued the Property Right Law on March 16, 2007, providing the mechanism for property rights protection at state law level.
- The PRC government revised the Catalog of Industries for Guiding Foreign Investment effective December 1, 2007. Under the revised catalog, "development and construction of ordinary residential houses" was moved to permitted industry from encouraged industry, and "tract development; construction and management of high-class hotels; villas; high-class office buildings and international exhibition centers; real estate exchanges in the secondary market; real estate agencies and brokers" were categorized as restricted industry.
- On December 30, 2007, the General Office of the State Council issued the Notice on the Strict Implementation of the Laws and Policies Regarding Rural Collective Construction Land, which provides that residential land in rural areas shall only be allocated to residents of the relevant village residing in the areas and that no urban inhabitants shall be allowed to purchase any homesteads, peasants' dwellings or small houses with property rights in rural areas. No organization or individual shall be allowed to illegally rent or occupy and land collectively-owned by peasants for the development of real estate.
- 2008 The State Council issued Notice on Promoting the Land Saving and Intensive Use on January 3, 2008, which stipulated a stricter supervision on land development and regulation of idle land.
- On February 7, 2008, the State Council issued the Land Investigation Regulations, which provided that a nationwide land investigation should be carried out once every 10 years and a land status alteration investigation should be carried out each year.

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The Ministry of Land and Resources promulgated new regulations to impose penalties for illegal use of land resources and strengthen the control and land supply.

In October 2008, the PBOC reduced the minimum down payment requirement to 20% of the purchase price of the underlying property and the minimum mortgage loan interest rate to 70% of the PBOC benchmark interest rate for the purchase of a principal residence with a total GFA less than 90 sq.m.

On October 22, 2008, the State Council, the Ministry of Finance and the State Administration of Taxation jointly announced the decision to reduce the tax expenses of property transactions.

2010 On March 8, 2010, the Ministry of Land and Resources issued measures aimed at ensuring that there is sufficient land supply for government-subsidized residential property.

On April 17, 2010, the State Council announced its decision to implement diverse credit policies for different types of purchases.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development issued measures to require the relevant governmental authorities to (i) strengthen the management of the annual plan for land supply and residential properties construction; (ii) accelerate the approval process for land supply and construction for residential properties; (iii) strengthen the management of land grants for residential properties, (iv) strengthen the supervision on land supply and construction of residential properties; and (v) strengthen the supervision and investigation of illegal behaviors.

For additional information on housing reforms and recent regulatory developments, please see the section headed “Summary of Principal PRC Legal and Regulatory Provisions” in Appendix VI to this prospectus.

The housing reforms, together with the economic growth of China, emergence of the mortgage lending market and urbanization, are the 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 of China, China’s urbanization rate, i.e., the proportion of the population residing in urban areas, rose from approximately 39.1% in 2002 to approximately 46.6% in 2009. Increases in the urban population of China will likely result in increases in demand for residential properties. The table below describes China’s urbanization rate for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	2009	1H2010
Urban population (million) . . .	502.1	523.8	542.8	562.1	577.1	593.8	606.7	621.9	N/A
Total population (million) . . .	1,284.5	1,292.3	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0	1,334.7	N/A
Urbanization rate (%).	39.1	40.5	41.8	43.0	43.9	44.9	45.7	46.6	N/A

Source: National Bureau of Statistics of China.

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OVERVIEW OF SELECTED KEY CITIES

Changzhou

Changzhou, located in southern Jiangsu Province, rests in the center of the Yangtze River Delta region. Changzhou borders the provincial capital Nanjing to the west, Zhenjiang to the northwest, Wuxi to the east, and Shanghai and the Zhejiang Province to the south. Changzhou is located approximately two hours from Shanghai and approximately 1.5 hours from Nanjing by train, respectively. The Shanghai-Nanjing railway, Shanghai-Nanjing Expressway and Grand Canal run through the city. Changzhou will be one of the few stops on the Beijing-Shanghai highspeed railway. Upon completion in 2011, it is estimated that it will take approximately half an hour to travel from Changzhou to Shanghai and approximately four hours from Changzhou to Beijing by train. As an advanced manufacturing base, its five “pillar” industries are machinery, electronics and information technology, renewable energy, advanced materials and bio-pharmaceuticals.

Changzhou’s economy has been growing strongly over the past few years, and had a nominal GDP of RMB251.9 billion in 2009, an 14.4% increase from 2008. Changzhou was ranked ninth in Forbes’ “Top Cities in Mainland China for Business in 2008.” In 2009, 237 foreign-invested projects were approved, and utilized foreign direct investment amounted to approximately US\$2.26 billion, 10.9% higher than in 2008. By the end of 2009, over 3,100 foreign enterprises from 104 countries and regions had established a presence in Changzhou, including 49 Fortune 500 companies.

Economic statistics of Changzhou

	2003	2004	2005	2006	2007	2008	2009	1H2010
Nominal GDP (RMB billion)	90.1	110.1	130.3	156.9	188.1	220.2	251.9	142.2
Real GDP growth rate	14.5%	15.5%	15.1%	15.2%	15.6%	12.4%	11.7%	14.0%
Per capita GDP (RMB)	26,149	31,665	31,997	37,435	43,695	50,283	56,861	N/A
Per capita disposable income for urban households (RMB)	11,303	12,867	14,589	16,649	19,089	21,592	23,751	13,411
Retail sales (RMB billion)	28.1	32.4	44.4	51.6	61.1	75.8	90.1	50.3
Retail sales year-on-year ¹	12.8%	15.3%	37.0%	16.2%	18.4%	24.1%	18.9%	18.0%
Real estate investment (RMB billion)	5.3	9.8	11.4	17.1	22.5	30.9	30.6	17.0

Source: Changzhou Statistics Bureau.

According to the 2009 Statistics Report from the Changzhou Statistics Bureau, a total sum of approximately RMB30.6 billion was invested in real estate projects. A total GFA of approximately 7.9 million sq.m. of residential properties were sold in 2009. Retail sales in Changzhou grew by 18.9% to RMB90.1 billion in 2009.

The table below sets forth key statistics related to the residential property markets in Changzhou for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	1H2010
Residential								
GFA completed ('000 sq.m.)	1,906	1,878	3,978	2,976	4,862	5,417	N/A	N/A
GFA under construction ('000 sq.m.)	4,892	7,450	9,538	13,506	17,000	18,442	N/A	N/A
GFA sold ('000 sq.m.)	1,705	1,967	3,633	4,079	5,145	4,255	7,872	N/A

Source: Changzhou Statistics Bureau, Jiangsu Statistics Bureau.

Note:

¹ Percentages are calculated on the basis of sourced data.

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Chengdu

Chengdu, the capital of Sichuan Province, is one of the most important economic and transportation hubs in southwest China. Chengdu is regarded as one of the most affluent cities in southwest China. It benefits from relatively cheap labor, a large municipal area, an established industrial base and preferential investment policies and presents tremendous opportunities for foreign investors. Located near Sichuan Province's center, Chengdu is bordered by Deyang town to the northeast, Ziyang town to the southeast, Meishan town to the south and Ya'an town to the southwest.

Chengdu's economy grew at a GDP growth rate of 15.4% in 2009. According to the Chengdu Statistics Bureau, the city's retail sales and per capita urban disposable income growth rates from 2008 to 2009 were 20.3% and 10.1%, respectively. This growth is bolstered by sustained development of local commerce, financial and industrial sectors and strong local technological and research and development capabilities. Chengdu benefits from several preferential policies which aid in uplifting its economy and investments. Chengdu follows China's Central Government Go West strategy, a government effort to encourage investment, outside expertise, foreign loans and private capital in the western part of China. The scheme aims to promote development in the west and narrow the economic gap between coastal and western cities. Under the western development plan, the government offers low tax rates and land use fees to encourage domestic and foreign investment in the area.

As the largest railway hub in southwest China, Chengdu operates four major railway routes including Chengdu-Chongqing, Chengdu-Baoji, Chengdu-Kunming and Chengdu-Dazhou. With its strategic location and well-developed railway networks, Chengdu is easily accessible from other major cities in China. Seven metro lines with a total length of approximately 274 kilometers are currently under planning in Chengdu. Metro Line One-Phase One, with a total length of 16 kilometers running from Honghuayan in the north to Fuhuayuan in the south, is currently under construction.

Economic statistics of Chengdu

	2003	2004	2005	2006	2007	2008	2009	1H2010
Nominal GDP (RMB billion)	170.5	203.1	237.1	275.0	332.4	390.1	450.3	236.4
Real GDP growth rate	13.0%	13.6%	13.5%	13.8%	15.3%	12.1%	14.7%	16.8%
Per capita GDP (RMB) ¹	16,454	19,307	22,139	25,171	30,006	34,873	39,510 ¹	N/A
Per capita disposable income for urban households (RMB)	9,641	10,394	11,359	12,789	14,849	16,943	18,659	10,715
Retail sales (RMB billion)	77.6	88.1	100.6	115.5	135.7	162.2	195.0	117.6
Retail sales year-on-year ²	9.4%	13.5%	14.2%	14.9%	17.5%	19.5%	20.2%	18.7%
Real estate investment (RMB billion) . . .	24.5	30.9	45.2	61.4	90.5	91.3	94.5	60.2

Source: Chengdu Statistics Bureau.

Notes:

- 1 Per capita GDP in 2009 is calculated by dividing GDP by population, whilst per capita GDP for other years were extracted from the China Real Estate Statistics Yearbook 2007 and 2009.
- 2 Percentages are calculated on the basis of sourced data.

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According to the 2009 Statistics Report from the Chengdu Statistics Bureau, a total sum of approximately RMB94.5 billion was invested in real estate projects in Chengdu in 2009. In the same year, a total GFA of approximately 25.3 million sq.m. of residential properties were sold in Chengdu.

The table below sets forth key statistics related to the residential, retail and office property markets in Chengdu for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	1H2010
Residential								
GFA completed ('000 sq.m.)	8,957	7,005	5,977	9,592	8,853	10,265	13,771	6,152
GFA sold ('000 sq.m.)	8,973	6,842	11,099	14,822	20,848	13,574	25,320	9,250
Average price (RMB/sq.m.)	1,908	2,224	2,870	3,499	4,198	4,778	4,875	5,768
Retail								
GFA completed ('000 sq.m.)	815	1,151	1,237	1,522	1,073	682	646	368
Average price (RMB/sq.m.)	4,766	5,045	7,083	6,583	6,255	6,562	8,751	9,554
Office								
GFA completed ('000 sq.m.)	155	171	80	152	167	268	350	11
Average price (RMB/sq.m.)	3,383	4,272	5,146	4,667	5,837	6,788	5,881	9,261

Source: China Real Estate Statistics Yearbook 2007 & 2009, Chengdu Statistics Bureau.

For the six months ended June 30, 2010, the Chengdu's total residential GFA completed was 6.2 million sq.m. and there was a total residential GFA of 9.3 million sold at an average price of RMB5,768 per sq.m. Moreover, for the same period, the total retail GFA completed and the total office GFA completed were 368,000 sq.m. and 11,000 sq.m. respectively.

Dongguan

Located in the mid-south of Guangdong Province and east of the Pearl River estuary, Dongguan is bordered by Guangzhou on the north and Shenzhen on the south. Dongguan is the meeting point of numerous railways including Guangzhou-Shenzhen express railway and the Beijing-Kowloon railway. Dongguan Railway Port is a first-category state port where the procedure for border entry and exit is handled for the through passenger trains to Kowloon from Beijing and Shanghai.

Dongguan's economy has been expanding quickly over the past few years and had a nominal GDP of RMB 376.3 billion in 2009, and the real GDP growth rate was 5.3% from the previous year. According to the Dongguan Statistics Bureau, the city's retail sales and per capita urban disposable income growth rates from 2008 to 2009 were 14.1% and 9.1%, respectively.

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Economic statistics of Dongguan

	2003	2004	2005	2006	2007	2008	2009	1H2010
Nominal GDP (RMB billion)	145.3	180.6	218.2	262.7	315.2	370.3	376.3	193.8
Real GDP growth rate	20.5%	21.0%	19.4%	19.2%	18.2%	14.0%	5.3%	12.1%
Per capita GDP (RMB)	22,174	27,554	33,263	39,478	46,027	53,285	56,591	N/A
Per capita disposable income for urban households (RMB)	18,471	20,526	22,882	25,320	27,025	30,275	33,045	19,634
Retail sales (RMB billion)	37.0	42.6	50.0	58.5	69.6	83.8	95.6	53.6
Retail sales year-on-year ¹	15.1%	15.3%	17.2%	16.9%	19.0%	20.5%	14.1%	14.8%
Real estate investment (RMB billion)	5.5	11.4	14.4	16.4	20.9	27.1	27.8	10.6

Source: Dongguan Statistics Bureau.

The table below sets forth key statistics related to the residential property markets in Dongguan for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	1H2010
Residential								
GFA completed ('000 sq.m.)	2,220	1,264	1,152	1,141	1,119	3,952	N/A	N/A
GFA sold ('000 sq.m.)	1,419	1,424	2,972	3,530	5,411	4,680	5,857	N/A

Source: Dongguan Statistics Bureau, Guangdong Statistics Bureau.

Hangzhou

Hangzhou, the capital of Zhejiang Province, is a city of historical significance renowned for its cultural heritage and natural beauty and is the second largest city in the East China Economic Circle, behind Shanghai. The city center is built around the eastern and northern sides of the West Lake, northeast of the Qiantang River, and is located approximately 180 kilometers southwest of Shanghai. The actual paid-in foreign capital in 2009 was US\$4.01 billion, up 21% year-on-year. Forbes magazine ranked Hangzhou as the number one city in China for business for five consecutive years from 2004 to 2008.

In 2009, Hangzhou's GDP of RMB509.9 billion ranked 8th highest amongst all of the PRC's cities and its GDP per capita had also rapidly reached RMB74,924 in 2009. The city's real estate investment and per capita urban disposable income experienced an average year-on-year growth of 14.5% and 11.5%, respectively, between 2008 and 2009.

The Shanghai-Hangzhou express railway project is drawing attention as the central government finally approved the project in July 2008, representing an investment of RMB27.6 billion. The express railway line will run approximately 135 kilometers from Shanghai Hongqiao Station to Hangzhou East Station, and will have an average speed of 300 kilometers per hour. The express railway is expected to reduce the time of traveling between the two cities to approximately 30 minutes. The Hangzhou Metro Line project commenced in late 2007 with the construction of Hangzhou Metro Line One, a 58 kilometer stretch with 39 stations linking Hangzhou's city center and the satellite towns of Xiasha, Linping and Jiangnan. Metro Line One is slated to begin operation by the end of 2011.

Note:

¹ Percentages are calculated on the basis of sourced data.

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Economic statistics of Hangzhou

	2003	2004	2005	2006	2007	2008	2009	1H2010
Nominal GDP (RMB billion)	210.0	254.3	294.3	344.2	410.0	478.1	509.9	254.1
Real GDP growth rate	15.2%	15.0%	13.0%	14.3%	14.6%	11.0%	10.0%	12.4%
Per capita GDP (RMB)	32,819	39,293	44,853	51,878	61,258	70,832	74,924	N/A
Per capita disposable income for urban households (RMB)	12,898	14,565	16,601	19,027	21,689	24,104	26,864	16,813
Retail sales (RMB billion)	74.3	85.5	97.5	111.2	129.6	155.8	180.5	101.3
Retail sales year-on-year ¹	12.4%	15.2%	14.0%	14.0%	16.5%	20.2%	15.8%	20.2%
Real estate investment (RMB billion)	25.9	32.9	41.1	44.3	51.9	61.5	70.5	35.1

Source: Hangzhou Statistics Bureau.

According to the 2009 Statistics Report from the Hangzhou Statistics Bureau, a total sum of approximately RMB70.5 billion was invested in real estate projects in Hangzhou in 2009. A total GFA of approximately 14.4 million sq.m. of properties were sold in 2009. Hangzhou's real estate investment recorded healthy year-on-year growth of 14.5% from 2008 to 2009. According to the Hangzhou Statistics Bureau, the total residential GFA completed, the total residential GFA under construction and the total residential GFA sold were 3.8 million sq.m., 36.4 million sq.m. and 4.1 million sq.m., respectively, for the period from January 2010 to August 2010.

The table below sets forth key statistics related to the residential, retail and office property markets in Hangzhou for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	1H2010
Residential								
GFA completed ('000 sq.m.)	5,540	5,129	7,054	6,263	7,716	7,727	5,821	2,454
GFA under construction ('000 sq.m.)	19,047	26,421	33,158	34,843	36,143	36,234	36,588	32,692
GFA sold ('000 sq.m.)	4,711	5,095	6,207	6,800	10,437	6,770	13,010	2,899
Average price (RMB/sq.m.)	3,657	3,884	5,454	5,967	7,432	8,212	10,938	N/A
Retail								
GFA completed ('000 sq.m.)	791	986	736	517	763	574	N/A	N/A
Average price (RMB/sq.m.)	6,003	6,606	6,481	8,931	9,548	8,332	N/A	N/A
Office								
GFA completed ('000 sq.m.)	336	310	575	345	408	590	N/A	N/A
Average price (RMB/sq.m.)	5,322	7,011	8,221	8,672	10,411	11,401	N/A	N/A

Source: China Real Estate Statistics Yearbook 2007 & 2009, Hangzhou Statistics Bureau.

Shenzhen

Shenzhen, China's first Special Economic Zone, is situated immediately north of Hong Kong in southern China's Guangdong Province. Owing to its integration with Hong Kong, Shenzhen has attracted

Note:

1 Percentages are calculated on the basis of sourced data.

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significant foreign direct investment. In 2009, foreign direct investment in Shenzhen amounted to a total US\$4.16 billion. The city has catapulted to be the world's fourth busiest container port, a major manufacturing center, and home to some of China's high-tech companies, such as Huawei Technology Co., Ltd., Tencent Holdings Limited and ZTE Corporation.

Shenzhen is one of the leading cities of the PRC with an annual GDP of RMB820 billion with a population of 8.9 million in 2009. Its 2009 GDP per capita at RMB92,771 was the highest in China's important cities and is two years ahead of the target under Shenzhen's "Eleventh Five-year Plan". The city's retail sales grew at a rate of 15.8% in 2009 and per capita urban average disposable income grew 9.4% in 2009 to RMB29,245. Shenzhen is also the fourth largest container port in the world, ranking only after Shanghai, Singapore and Hong Kong. Shenzhen was ranked first for four consecutive years by the Chinese Academy of Social Sciences (CASS) (中國社科院) for overall competitiveness of mainland cities. Additionally, Shenzhen was rated in October 2010 by Fortune Magazine as one of the top three best new cities for business in China.

On June 2, 2010, Shenzhen's Fifth National People's Congress held a press conference and announced that the State Council approved and agreed to include Bao'an and Longgang districts in the scope of the Special Economic Zone. On July 1, 2010, the Special Economic Zone expansion program approved by the State Council was carried out. This program will expand the original Special Economic Zone area of 396 square kilometres to 1,952 square kilometres. This represents a five-fold expansion of the original Special Economic Zone area.

Shenzhen is improving its transportation infrastructure considerably and pursuant to Shenzhen's "Eleventh Five-year Plan", the infrastructure of the city will be largely strengthened during the "Eleventh Five-year Plan" period and the total amount of investment on infrastructure alone is expected to reach RMB216 billion. Phase 2 of the Shenzhen metro line is expected to be completed by 2011, upon which the total length of the Shenzhen metro line will be approximately 178 kilometers. Phase 1 of the Shenzhen metro line is currently in operation and the operation of the Dongyan section of Phase 2 is expected to commence operation by June 2011. Shenzhen is also making efforts in creating cross-border inter-commercial links with the Guangzhou-Shenzhen-Hong Kong Express Rail Link, with Longhua as an intermediate station. Shenzhen Terminal, Shenzhen's largest investment of infrastructure as at the Latest Practicable Date, is an integrated transport hub and is expected to be completed in 2011. Shenzhen Terminal is expected to be only 25 minutes from Guangzhou, three hours from Wuhan and eight hours from Beijing. The Guangzhou to Shenzhen route and Guangzhou to Hong Kong route of the high-speed railway, are expected to be completed in 2012 and 2015, respectively, and thus, Shenzhen is expected to become a "satellite city" of Hong Kong. The plan covers developing the economic cooperation of Shenzhen and Hong Kong and envisages promoting Shenzhen-Hong Kong to be the third largest metropolis, in terms of GDP, in the world by 2020, behind New York City and Tokyo.

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Economic statistics of Shenzhen

	2003	2004	2005	2006	2007	2008	2009	1H2010
Nominal GDP (RMB billion)	358.6	428.2	495.1	581.4	680.2	780.7	820.1	421.6
Real GDP growth rate	19.2%	17.3%	15.1%	16.6%	14.8%	12.1%	10.7%	11.6%
Per capita GDP (RMB)	47,029	54,236	60,801	69,450	79,645	89,814	92,771	N/A
Per capita disposable income for urban households (RMB)	25,936	27,596	21,494	22,567	24,301	26,729	29,245	N/A
Retail sales (RMB billion)	109.5	125.1	143.8	167.1	191.5	225.2	259.9	140.4
Retail sales YoY ¹	16.3%	14.2%	15.0%	16.2%	14.6%	17.6%	15.4%	16.1%
Real estate investment (RMB billion) . . .	41.3	43.2	42.4	46.2	46.1	44.0	43.7	20.6

Source: Shenzhen Statistics Bureau.

According to the 2009 Statistics Report from the Shenzhen Statistics Bureau, a total sum of approximately RMB43.7 billion was invested in real estate projects in Shenzhen in 2009. A total GFA of approximately 6.6 million sq.m. of residential properties were sold in 2009.

The table below sets forth key statistics related to the residential, retail and office property markets in Shenzhen for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	1H2010
Residential								
GFA completed ('000 sq.m.)	8,166	5,301	7,044	5,819	4,371	4,438	2,695	N/A
GFA under construction (sq.m.)	20,729	24,876	21,526	21,574	21,778	22,061	20,875	18,119
GFA sold ('000 sq.m.)	3,581	3,430	10,198	6,862	5,003	4,136	6,603	1,351
Average price (RMB/sq.m.)	5,793	6,385	6,996	8,848	13,370	12,823	14,858	N/A
Retail								
GFA completed ('000 sq.m.)	956	710	967	1,266	740	598	N/A	N/A
Average price (RMB/sq.m.)	12,957	11,455	15,083	14,357	19,103	11,469	20,827	N/A
Office								
GFA completed ('000 sq.m.)	244	431	187	368	324	275	N/A	N/A
Average price (RMB/sq.m.)	9,072	8,833	12,375	16,098	22,535	19,071	23,920	N/A

Source: China Real Estate Statistics Yearbook 2007 & 2009, Shenzhen Statistics Bureau, Urban Planning, Land and Resources Commission of Shenzhen Municipality.

For the period from January 2010 to July 2010, the city's total residential GFA sold was approximately 1.5 million sq.m.

Notes:

¹ Percentages are calculated on the basis of sourced data.

INDUSTRY OVERVIEW

Tianjin

Tianjin is located in northern China and is one of the four municipalities directly under the Central Government of China. It is 137 km southeast of Beijing and approximately 30 minutes by train. It also borders Hebei Province and is bounded to the east by the Bohai Sea.

Tianjin's economy has been growing strongly over the past few years, and had a nominal GDP of RMB 752.2 billion in 2009, an 16.5% increase from 2008. According to the Tianjin Statistics Bureau, the city's retail sales and per capita urban disposable income growth rates from 2008 to 2009 were 16.9% and 10.2%, respectively.

Economic statistics of Tianjin

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>1H2010</u>
Nominal GDP (RMB billion)	257.8	311.1	390.6	446.3	525.3	671.9	752.2	410.6
Real GDP growth rate (%)	14.8%	15.8%	14.9%	14.7%	15.5%	16.5%	16.5%	18.0%
Per capita GDP (RMB)	25,544	30,575	37,796	42,141	47,970	58,656	62,574	NA
Per capita disposable income for urban households (RMB)	10,313	11,467	12,639	14,283	16,357	19,423	21,402	11,318
Retail sales (RMB billion)	92.2	104.5	119.0	135.7	160.4	207.9	243.1	139.4
Retail sales year-on-year ¹	-2.0%	13.3%	13.9%	14.0%	18.2%	29.6%	16.9%	19.0%
Real estate investment (RMB billion)	27.1	30.7	37.2	45.7	53.6	68.0	78.7	27.1 ²

Source: Tianjin Statistics Bureau.

The table below sets forth key statistics related to the residential, retail and office property markets in Tianjin for the periods indicated:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>1H2010</u>
Residential								
GFA completed ('000 sq.m.)	7,507	10,145	12,710	13,090	13,986	14,925	15,808	NA
GFA sold ('000 sq m)	7,206	7,961	12,644	13,325	14,018	11,354	14,615	255
Average price (RMB/sq.m.)	2,393	2,950	3,987	4,649	5,576	5,598	6,605	11,235
Retail								
GFA completed ('000 sq.m.)	894	432	1,211	1,393	1,336	1,877	1,159	NA
Average price (RMB/sq.m.)	4,141	5,795	4,725	6,259	8,879	10,338	8,956	8,755
Office								
GFA completed ('000 sq.m.)	415	324	393	437	495	482	837	NA
Average price (RMB/sq.m.)	6,287	5,552	5,022	6,171	7,412	9,783	11,133	11,028

Source: China Real Estate Statistical Yearbook 2007 & 2009, Tianjin Statistics Bureau, Tianjin Municipality Land Resources and Housing Administrative Bureau

Notes:

¹ Percentages are calculated on the basis of sourced data.

² Up to May 2010.