

## INDUSTRY OVERVIEW

*The information and statistics set out in this section and elsewhere in this prospectus relating to the relevant industries that affect our business have been extracted from official government publications and sources. We have not independently verified such information or statistics. None of us, our directors or advisors or any other party involved in the Global Offering make any representation as to the accuracy or completeness of such information and statistics nor any underlying economic assumptions relied upon therein.*

### INTRODUCTION

We are the largest privately-owned operator and developer of stand-alone underground shopping centers in China in terms of GFA under operation as of December 31, 2007, according to the Euromonitor Report. See “— Source of Information”. Euromonitor is an independent provider of business intelligence on industries, countries and consumers. Based in the United Kingdom, Euromonitor was founded in 1972 and now has offices in the United States, Europe, South Africa, Middle East and Asia, with total employees of approximately 450. Euromonitor’s business intelligence products include online information databases, market reports, and business reference books. Euromonitor provides consulting services, including trade surveying and analysis to support market, competitor, and customer intelligence. To date, we have operated our shopping centers primarily as facilities for the wholesale and retail sale of apparel and accessories in China. The underground space that we develop is categorized as underground civil air defense shelters and governed by the relevant laws and regulations in China (see “Regulations”). To maximize the limited space for commercial use in highly-developed commercial areas, the government has permitted the development and commercialization of underground air defense shelters by the private sector.

The development of underground commercial facilities can also be found in other countries. In Japan, underground civil facilities had been developed with government planning and private sector participation. Many of the successful underground shopping spaces were developed as extension of railway or subway stations in densely developed urban areas. In the U.S., the development of underground space commenced in 1970s. In Seattle, Washington, Two Union Square was designed as a multi-level underground plaza with the exits of each level connected to the surrounding main roads. In Paris, France, the world renowned Musée du Louvre is connected to an underground facility integrating subway, carpark and shopping area right in the middle of the highly developed city center.

Although the historical background as well as the form and format of underground facility developments vary, we believe that the main driving forces of such developments are the public and commercial needs for space in highly-developed areas.

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### The Underground Space in the PRC

Similar to the trends in other countries, the commercial use of underground spaces in China has been concentrated in highly-developed areas, and the development of underground space in China gathered momentum when the government authorities initiated reforms in the 1980s allowing for the development of underground civil air defense shelters for commercial use. In 1990s, for the first time, PRC laws and regulations explicitly allowed foreign capital to invest in the development and operation of underground civil air defense shelters. Subsequently, rules and notices were issued to encourage private and foreign enterprise participation in the development of underground civil air defense shelters. A brief timeline of key reforming activities is set out below:

- 1983 . . . . . The PRC government promulgated rules relating to the development and use of underground civil air defense shelters during peace time.
- 1993 . . . . . The PRC government promulgated rules to explicitly permit the development of underground civil air defense shelters funded by private and foreign capital.
- 1997 . . . . . The PRC government promulgated rules providing for the favorable tax treatment for foreign invested enterprises engaged in the underground civil air defense shelters sector.
- 2001 . . . . . The PRC government issued a notice requiring that the ownership and operation rights of underground civil air defense shelters be separated and that operation rights be transferable in a market-based system.
- 2003 . . . . . The PRC government promulgated rules regarding the approval process for and the administration and supervision of the development and construction of underground civil air defense shelters using private and foreign capital.

We have obtained approvals for project proposal from the National Civil Air Defense Office for the commercial development and operation of the underground civil air defense shelter projects that are completed, under development and for future development, including those for Phases IV and V of Harbin Project, Wuhan Project and Nanchang Project which have been granted to Renhe Group, Beijing Baorong and KII respectively on behalf of and for the benefit of us. See “Business — Our Projects.”

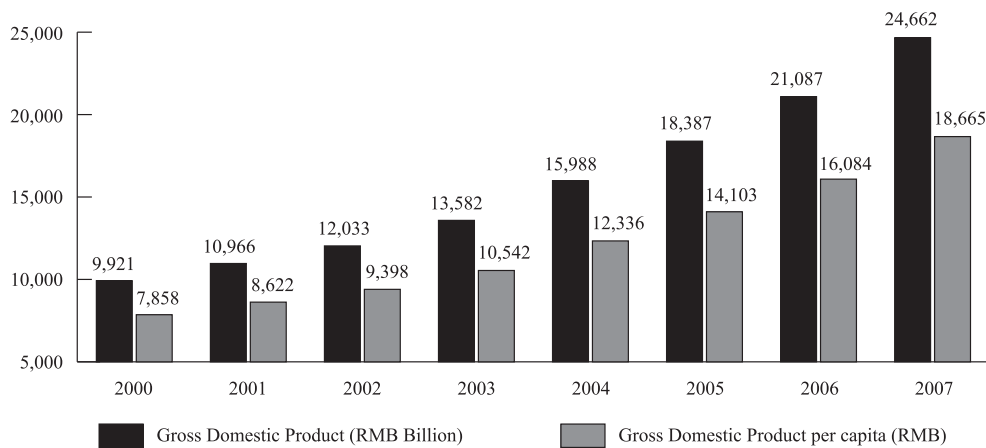
According to the Euromonitor Report, although considered a rather small segment of the market place in terms of total underground space, stand-alone underground shopping centers have a long-standing history that dates back to the 1980s and currently follow a business model that is considered rather common in several regions of China. Unlike integrated underground shopping centers which are typically developed together with, and will be restricted by, the structure of the above-the-ground buildings, stand-alone underground shopping centers are planned, designed and constructed as separate facilities in many cases underneath streets and roads.

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### THE ECONOMY OF CHINA

The Chinese economy has grown significantly since the Chinese government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's gross domestic product, or GDP, has increased from approximately RMB9,921 billion in 2000 to approximately RMB24,662 billion in 2007 at a CAGR of approximately 13.9%. In 2007, China's GDP grew approximately 17.0% compared to 2006. On December 11, 2004, nine business sectors, including the retail industry, were fully opened to foreign participation in line with the commitments which China made upon accession to the WTO. The following graph sets forth China's GDP and GDP per capita in China in each of the years from 2000 to 2007.

**GDP and GDP per Capita in China**



Source: National Bureau of Statistics of China

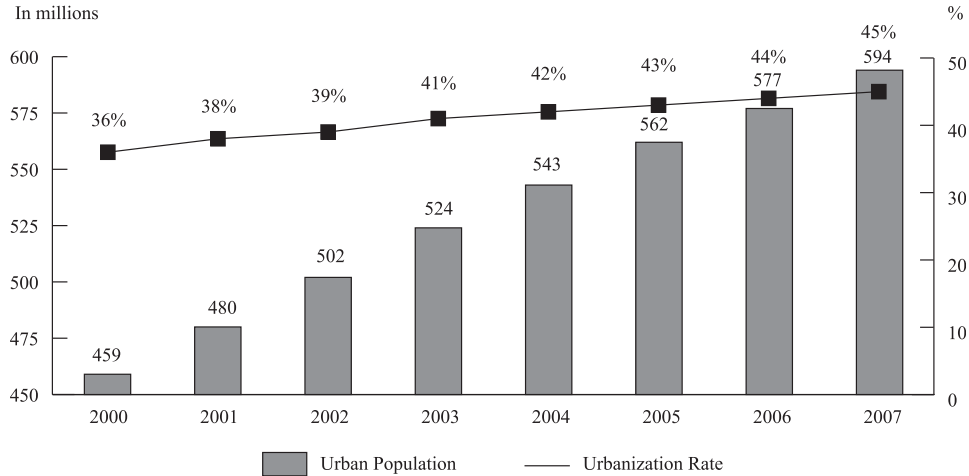
The International Monetary Fund estimated in its World Economic Outlook Database published in April 2007 that China's real GDP is forecasted to grow at an annual rate of 9.5% in 2008, surpassing many developed economies in the world.

The urban population and urbanization rate of China have shown a consistent upward trend alongside its economic development. According to the National Bureau of Statistics of China, the total urban population in China increased to 594 million as of December 31, 2007, from 459 million as of December 31, 2000, representing an increase of 29.4%. The urbanization rate, defined as the urban population as a percentage of the total population, increased from 36.2% in 2000 to 45.0% in 2007. We believe such trends will increase the need for more underground space in densely populated cities as shelters in times of war. We also believe that such trends will lead to increased consumer spending as average disposable income is higher in cities compared to rural areas. We expect these factors will have a positive impact on our underground shopping center business.

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The graph below illustrates the growth of urban population and urbanization rate in China in each of the years from 2000 to 2007.

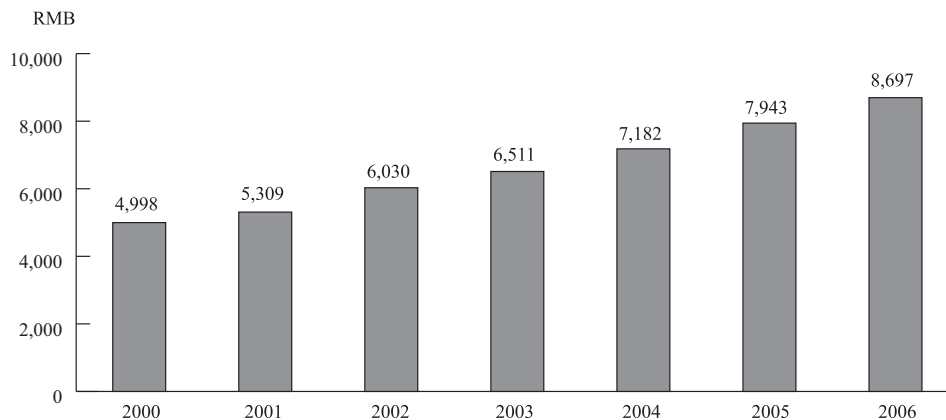
**Urban Population and Urbanization Rate in China**



*Source:* National Bureau of Statistics of China

Urban households have also exhibited an increasing trend in their annual living expenditure. The illustration below shows the increase of per capita annual living expenditure of urban households in China from RMB4,998 in 2000 to RMB8,697 in 2006, at a CAGR of 9.7%.

**Per Capita Annual Living Expenditure of Urban Households**

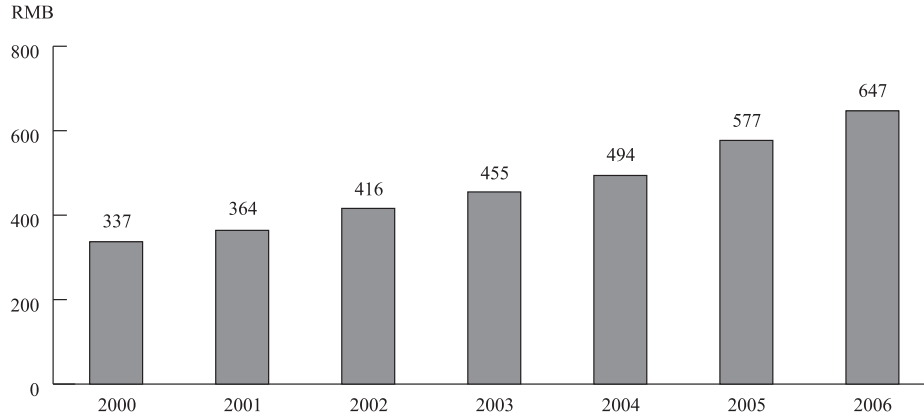


*Source:* National Bureau of Statistics of China

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The urban population's expenditure on apparel also increased in the years from 2000 to 2006, at a CAGR of 11.5%, outpacing the growth rate of overall living expenditure.

### Per Capita Annual Garments Expenditure of Urban Households in China



Source: National Bureau of Statistics of China

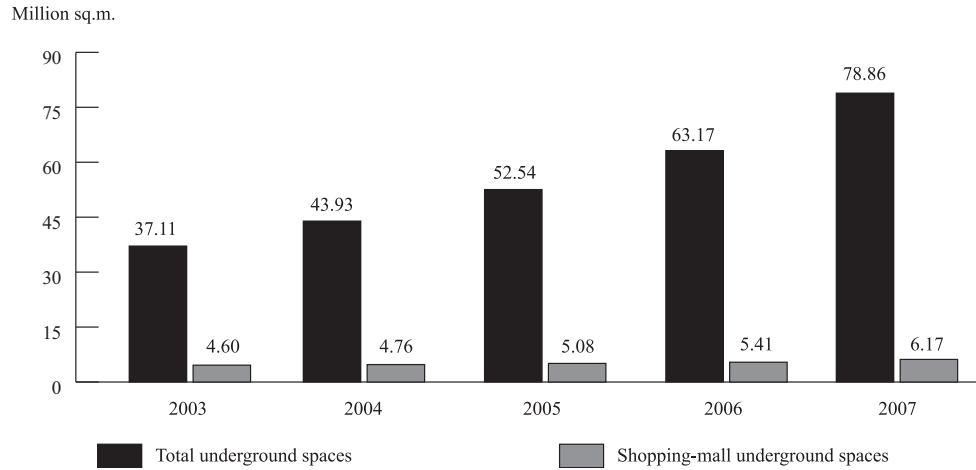
### UNDERGROUND SPACE IN THE PRC

According to Euromonitor, underground space includes areas that are developed underneath the ground level, which are known to be operational and open to public access. This includes former civil air defense space such as bomb shelters (sometimes located separately from other interconnected city areas) that are upgraded and used for community or commercial services but excludes basements or extended underground floors belonging exclusively to aboveground structures that are not interconnected or open to the public. Shopping mall underground space represents underground space for commercial purposes (such as retail and wholesale operations, entertainment centers and hospitality) that is occupied exclusively by underground shopping malls. This includes shopping malls solely built underground and integrated underground shopping malls belonging to aboveground structures such as commercial centers or large-scale shopping areas.

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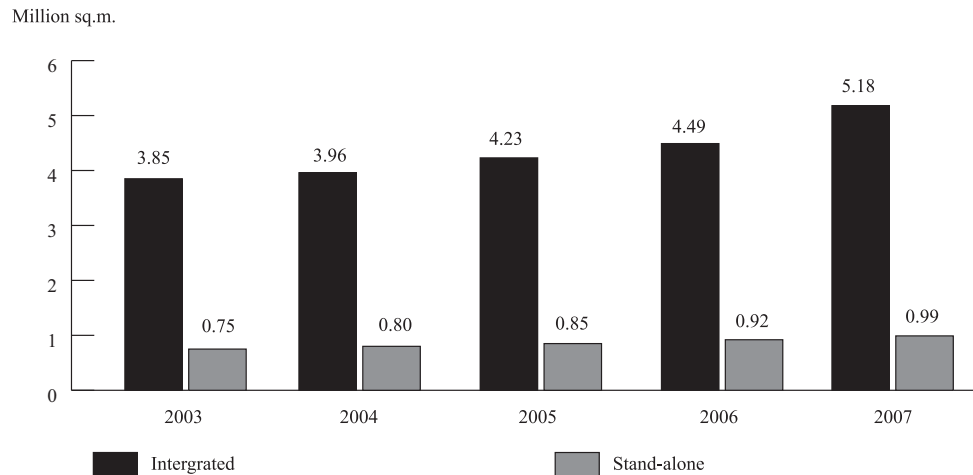
China's total underground space has increased from approximately 37.11 million sq.m. as of 2003 to 78.86 million sq.m. as of 2007 at a CAGR of approximately 20.7%, while the shopping mall underground space has increased from approximately 4.60 million sq.m. as of 2003 to 6.17 million sq.m. as of 2007 at a CAGR of approximately 7.5%. The following chart sets forth China's total underground spaces and shopping-mall underground spaces in each of the years from 2003 to 2007.

### Underground Space in China



Source: Euromonitor

Among the shopping-mall underground spaces, the size of integrated underground shopping centers has grown from approximately 3.85 million sq.m. as of 2003 to 5.18 million sq.m. as of 2007 at a CAGR of approximately 7.7%, while during the same period of time, the size of the stand-alone underground shopping centers have grown from approximately 0.75 million to 0.99 million sq.m. at a CAGR of approximately 7.2%. The following chart sets forth China's integrated underground shopping centers and stand-alone underground shopping centers in each of the years from 2003 to 2007.



Source: Euromonitor

## INDUSTRY OVERVIEW

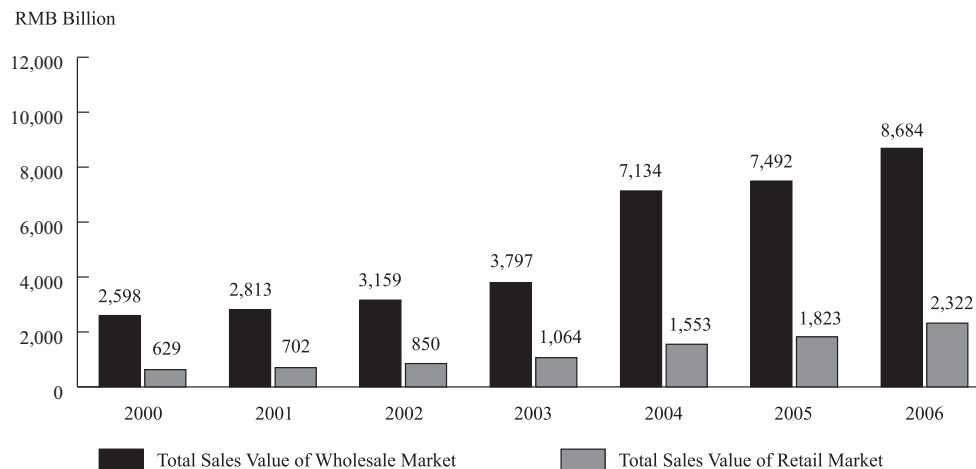
Euromonitor estimated that there are currently more than 80 underground shopping malls, including integrated underground shopping centers and stand-alone underground shopping centers, and Harbin, Shanghai and Guangzhou rank as the top 3 cities where underground shopping malls are mostly located. In terms of geographic extension, cities located in the North and Northeast China, such as Harbin, Beijing, Changchun, Shenyang and Dalian, are believed to be the dominant region where underground shopping malls are located. East China follows in the 2nd rank with Shanghai, Qingdao, Jinan and Nanjing being the primary areas of underground shopping centers. In South China, Mid China and Southeast China, Guangzhou has the largest number of underground malls.

### WHOLESALE MARKET IN THE PRC

According to the United Nations Statistics Division, “wholesale” is the resale (sale without transformation) of new and used goods to retailers, to industrial, commercial, institutional or professional users, or to other wholesalers, or involves acting as an agent or broker in buying merchandise for, or selling merchandise to, such persons or companies. Wholesalers frequently physically assemble, sort and grade goods in large lots, break bulk, repack and redistribute in smaller lots.

Wholesale plays a major role in commodity transactions and the economy. In China, approximately 50% of industrial products and 80% of agricultural products are sold by wholesalers. The wholesale market represents 41% of national GDP in 2006, increased from 26% in 2000. The illustration below shows the sizes in terms of total sales of wholesale and retail markets in each of the years from 2000 to 2006. During the same period, the size of the sales value of wholesale market is four times of the retail market on average.

#### Wholesale Market and Retail Market in the PRC



Sources: National Bureau of Statistics of China

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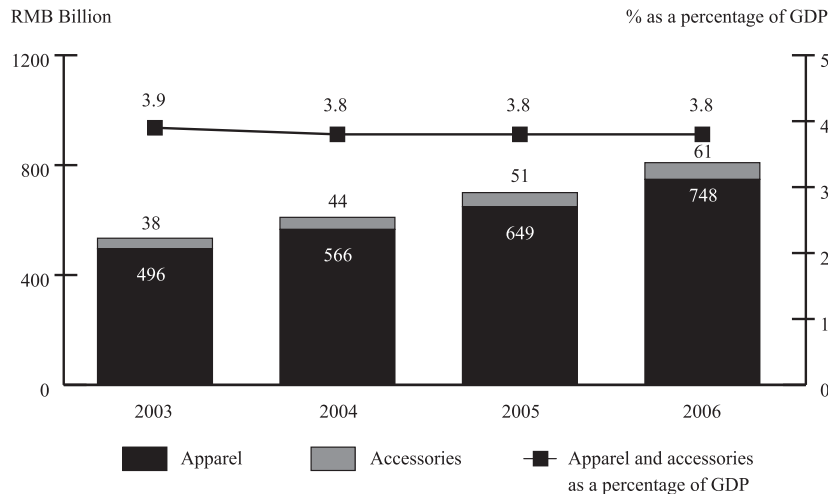
### APPAREL SALES IN THE PRC

China has become one of the largest apparel markets in the world. Apparel export value from the PRC as a percentage of global apparel trade value has increased from 4.6% in 1998 to 25.9% in 2005. Domestically, sales of apparel and accessories grew at a CAGR of approximately 14% from 2001 to 2006, in line with China's GDP growth. Rapid economic growth, continuing urbanization and increasing per capita disposable income have contributed to the growth of sales of apparel and accessories and hence, the retail and wholesale sales of apparel and accessories have increased as well.

We believe that the apparel market is fragmented in China. Due to a large population residing in a country of 9.6 million square kilometers, apparel manufacturers rely on wholesale markets as a primary channel to distribute their products in China, and wholesale markets in larger cities, where wholesalers and retailers of smaller cities or rural areas supply their merchandises, have shown a sustainable growth in recent years, with the growth of disposable income and consumption in smaller cities and rural areas.

The graph below shows sales of apparel and accessories in China in each of the years from 2003 to 2006, which have grown at a CAGR of 14.7% and 17.1%, respectively. During the same period, the sales of apparel and accessories as a percentage of the GDP largely remained stable at a level close to 4%.

**Sales of Apparel and Accessories in China**



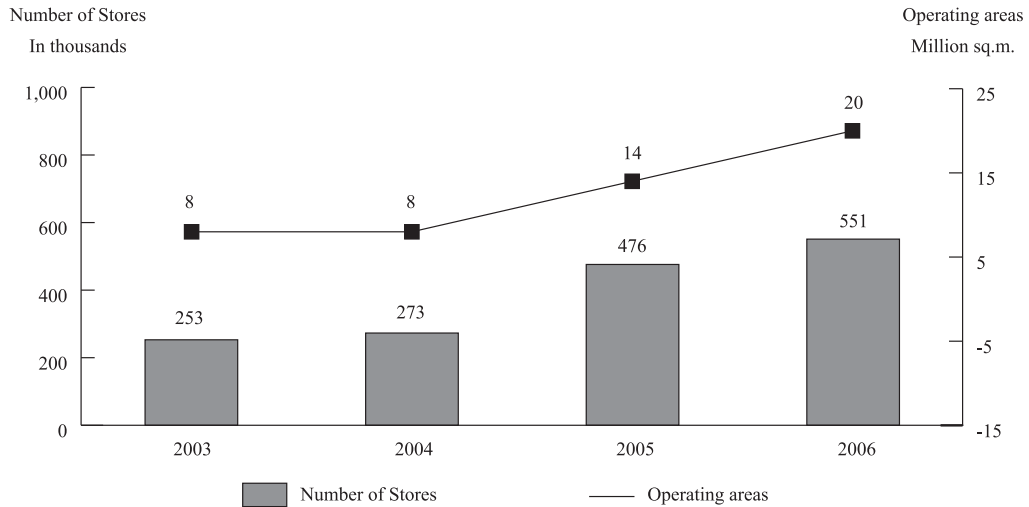
*Sources:* National Bureau of Statistics

The significant sales growth of apparel and accessories in China can also be demonstrated by the increasing number of stores selling apparel and the increasing size of the aggregate operating areas. The graph below shows the number of outlets and operating areas of textile, apparel, shoes and hats in China in each of the years from 2003 to 2006, which increased at a CAGR of 29.6% and 33.4%, respectively.



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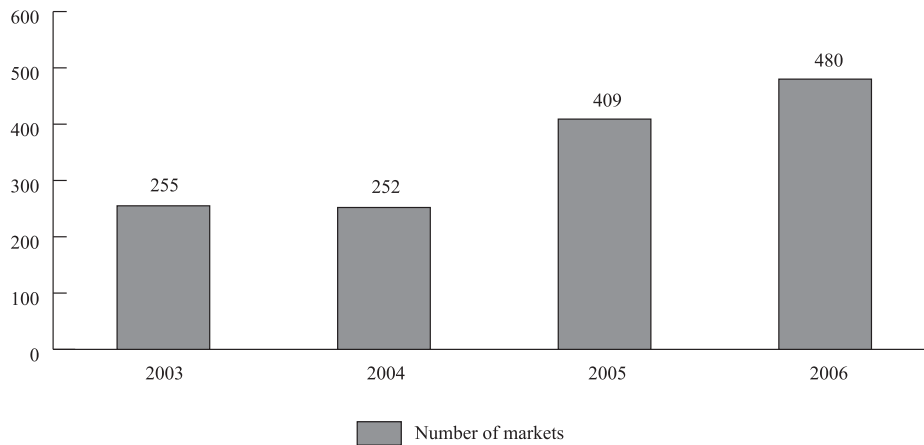
### Textile, Apparel, Shoes and Hats Markets in China with Total Transaction Value over RMB100 Million



Sources: National Bureau of Statistics of China

In addition, the number of markets specializing in textile, apparel, shoes and hats also increased to 480 in 2006 from 255 as of 2003, at a CAGR of 23.5%.

### Markets for Textile, Apparel, Shoes and Hats Markets with Annual Transaction Value above RMB200 Million



Sources: National Bureau of Statistics of China

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### APPAREL WHOLESALE INDUSTRY IN THE PRC

*We are an operator and developer of underground shopping centers. We lease and transfer operation rights for the underground spaces that we develop to individuals primarily engaged in the wholesale and retail sales of apparel and accessories by collecting rents periodically or charging a one-time transfer fee, as applicable. We do not participate in the wholesale or retail business ourselves, nor do we derive any of our revenues directly from the wholesale or retail operation of our clients. However, given that we designed all of our existing underground facilities to be used as shopping centers and primarily as apparel wholesale centers, the growth of the apparel wholesale industry will have a significant impact on the demand for apparel wholesaler center spaces and thus affect our ability to lease or transfer operation rights for shop units in our underground shopping centers at prices or on terms that are favorable to us. Any information about apparel wholesale industry in the PRC or the cities where our underground shopping centers are located is only intended to describe the nature of an industry that our business is heavily dependent on and in no circumstance shall it be interpreted that we are currently engaged, or plan to engage, in the apparel wholesale or retail businesses.*

#### Overview

In China, most apparel is distributed through tiers of apparel wholesale markets located across the country with the rest by manufacturers and retail stores. The dominance of wholesale markets as a primary apparel distribution channel is due to the fragmented structure of the apparel industry. In 2006, China had approximately 480 major apparel wholesale centers, such as Sijiqing apparel market in Hangzhou, White Horse apparel market in Guangzhou and Wuai apparel market in Shenyang.

The sellers at the wholesale markets rent store space to display product samples to attract prospective buyers. The buyers place the order at the store and tend to take small orders of merchandise with them. Therefore proximity to transportation hubs such as train stations are important for apparel wholesale markets in China. For large orders, the sellers ship them directly from warehouses. In addition, the vendors also sell to “walk-in” customers who want to take advantage of the “wholesale prices.”

The apparel wholesale industry in China consists of three tiers in terms of the scales:

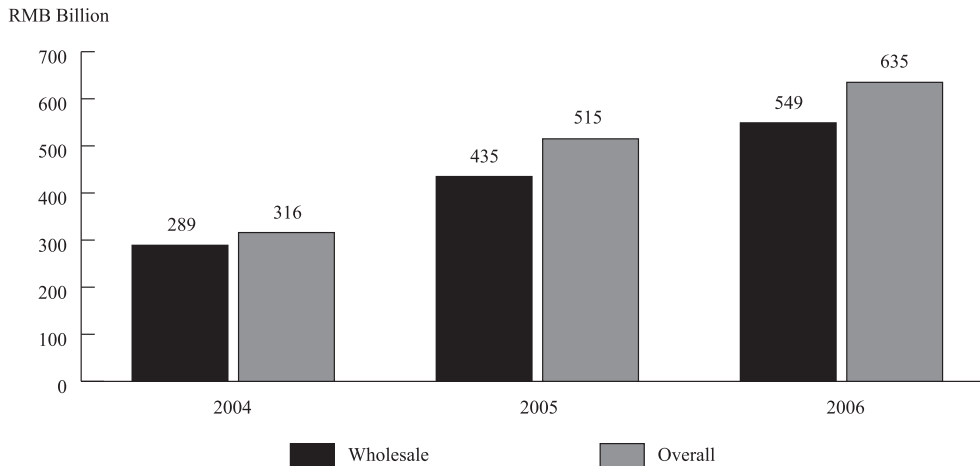
- Tier 1 (national level) markets, which are often near the garment manufacturing hubs (e.g., Guangzhou). Most vendors are manufacturers and distributors.
- Tier 2 (regional level) markets, which are located at regional or provincial commercial and transportation hubs (e.g., Zhengzhou, a major city in central China). The vendors in these markets are regional distributors and wholesalers. Many of them order merchandises from vendors in Tier 1 markets and in turn re-sell them to local retailers and Tier 3 wholesalers.
- Tier 3 (local level) wholesale centers, which are located in smaller cities and are close to the end consumption markets. Their customers are mainly local retailers.

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### Growth of Apparel Wholesale Markets

The illustration below shows the sales of wholesale markets vis-à-vis overall (namely wholesale and retail) market specializing in apparel, shoes and hats in China in each of the years from 2004 to 2006. As can be seen in the graph, wholesales consistently accounted for the substantial majority of total sales.

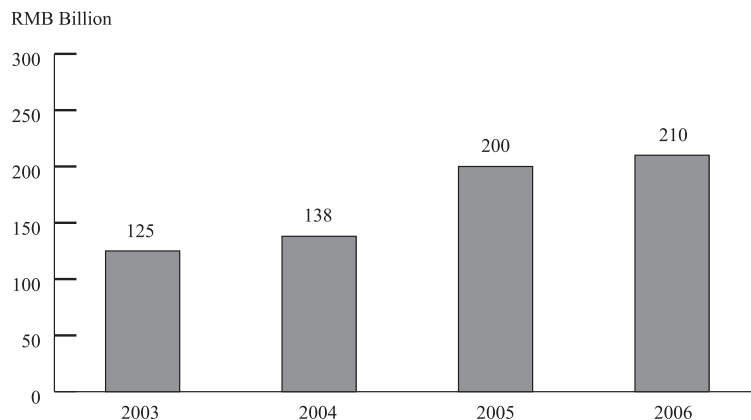
#### Sales of Apparel, Shoes and Hats in the Wholesale and Overall Markets



Sources: National Bureau of Statistics of China

The wholesale apparel market in China has been growing rapidly over the past few years. The graph below shows the sales value of apparel wholesale enterprises in China with 20 or more employees and annual sales of RMB20 million or more in each of the years from 2003 to 2006, which increased at a CAGR of 18.9%.

#### Sales Values of Apparel Wholesale Enterprises above Designated Size in China<sup>(1)</sup>



Source: National Bureau of Statistics of China

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*Note:*

- (1) Designated Size means the sales value of apparel wholesale enterprises in China with 20 or more employees and annual sales of RMB20 million or more.

### THE ECONOMIES OF CITIES IN WHICH WE OPERATE

#### Harbin

Harbin is the capital city of Heilongjiang Province in the northeastern region of China with a population of approximately 9.9 million as of 2007. The city experienced a high GDP growth rate for the six-year period from 2002 to 2007. Harbin's GDP reached approximately RMB244 billion in 2007, representing a per capita GDP of approximately RMB24,768. The per capita annual disposable income of urban households in Harbin has increased from approximately RMB7,004 in 2002 to approximately RMB12,772 in 2007, representing a CAGR of 12.8% during the period. The table below sets forth selected economic statistics of Harbin for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . .	123	141	168	183	209	244
Real GDP growth rate (%) . . .	11.5%	13.5%	14.7%	14.1%	13.5%	13.5%
GDP per capita (RMB). . . . .	12,993	14,826	17,321	18,852	21,374	24,768
Per capita annual disposable income of urban households (RMB) . . . . .	7,004	7,893	8,940	10,065	11,230	12,772
Per capita annual consumption expenditure of urban households (RMB) . . . . .	5,500	6,230	6,896	7,897	8,515	9,294

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*Sources:* Harbin Statistic Bureau

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### Guangzhou

Guangzhou is the largest city in southern China and the capital city of Guangdong Province with a population of approximately 10.0 million as of 2007. The city experienced a high GDP growth rate for the six-year period from 2002 to 2007. Guangzhou's GDP reached approximately RMB705 billion in 2007, representing a per capita GDP of approximately RMB71,219. The per capita annual disposable income of urban households in Guangzhou has increased from approximately RMB13,380 in 2002 to approximately RMB22,469 in 2007, representing a CAGR of 10.9% during the period. The table below sets forth selected economic statistics of Guangzhou for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . .	320	376	445	515	607	705
Real GDP growth rate (%) . . .	13.2%	15.0%	15.0%	13.0%	14.7%	14.5%
GDP per capita (RMB). . . . .	32,339	38,398	45,906	53,809	63,100	71,219
Per capita annual disposable income of urban households (RMB) . . . . .	13,380	15,003	16,884	18,287	19,851	22,469
Per capita annual consumption expenditure of urban households (RMB) . . . . .	10,672	11,571	13,121	14,468	15,445	18,951

*Sources:* Guangzhou Statistic Bureau

### Zhengzhou

Zhengzhou is the capital city of Henan Province in the central region of China with a population of approximately 7.4 million as of 2007. Zhengzhou's GDP reached approximately RMB242 billion in 2007, representing a per capita GDP of approximately RMB33,169. The per capita annual disposable income of urban households in Zhengzhou has increased from approximately RMB7,495 in 2002 to approximately RMB13,692 in 2007, representing a CAGR of 12.8% during the period. The table below sets forth selected economic statistics of Zhengzhou for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . .	93	110	138	165	200	242
Real GDP growth rate (%) . . .	10.9%	14.7%	15.5%	15.8%	15.7%	15.6%
GDP per capita (RMB). . . . .	13,584	15,910	19,415	23,045	27,798	33,169
Per capita annual disposable income of urban households (RMB) . . . . .	7,495	8,346	9,364	10,640	11,822	13,692
Per capita annual consumption expenditure of urban households (RMB) . . . . .	5,480	5,958	6,619	7,223	7,619	8,757

*Sources:* Zhengzhou Statistic Bureau

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### Shenyang

Shenyang is the capital city of Liaoning Province in the northeastern region of China with a population of approximately 7.1 million as of 2007. Shenyang's GDP reached approximately RMB307 billion in 2007, representing a per capita GDP of approximately RMB43,307. The per capita annual disposable income of urban households in Shenyang has increased from approximately RMB7,050 in 2002 to approximately RMB14,607 in 2007, representing a CAGR of 15.7% during the period. The table below sets forth selected economic statistics of Shenyang for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . . .	140	160	190	208	248	307
Real GDP growth rate (%) . . . . .	13.1%	14.2%	15.5%	16%	16.5%	17.7%
GDP per capita (RMB). . . . .	20,322	23,248	27,392	29,833	35,283	43,307
Per capita annual disposable income of urban households (RMB) . . . . .	7,050	7,961	8,924	10,098	11,651	14,607
Per capita annual consumption expenditure of urban households (RMB) . . . . .	6,074	6,690	7,213	7,863	8,670	11,256

*Sources:* Shenyang Statistic Bureau

### Source of Information

#### *Euromonitor*

Because the PRC official government publications and sources do not disclose the status of the underground civil space in China, the data relating to the development of underground civil space are derived from Euromonitor, a U.K.-based service provider of market and competitor intelligence that we engaged to perform research on our industry. Euromonitor is independent of us, our connected persons and Joint Sponsors. A report entitled "Underground Apparel Shopping Centers in China" and issued by Euromonitor in May 2008, is one of the principal source of information in this section and was commissioned by us at a cost of US\$35,000.

#### *National Bureau of Statistics of China*

National Bureau of Statistics is an agency directly under the State Council in charge of statistics and economic accounting in China. National Bureau of Statistics is an Independent Third Party of the Company. The information disclosed in the prospectus from the National Bureau of Statistics is official public information and was prepared in the ordinary course of the National Bureau of Statistics' activities.