

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, in part, from various official government publications, a ranking table compiled by DCMA and a report prepared by Savills (the “Savills Report”) commissioned by us. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective affiliates, directors or advisors or any other persons or parties involved in the Global Offering have independently verified such information and statistics directly or indirectly derived from official government publications, DCMA’s ranking table or the Savills Report, or make any representation as to the accuracy of such information or statistics, which may not be consistent with other information and statistics compiled within or outside China. Accordingly, the official and non-official sources contained herein may not be accurate and should not be unduly relied upon.

DCMA is a nation-wide association registered with the Ministry of Civil Affairs of the PRC to provide wholesale market industry-related information and services. See “— DCMA” below for further details. Zall Development China is an executive council member of DCMA, and otherwise DCMA is an organization independent from and unconnected with the Group.

PRC ECONOMY

Overview

China experienced significant economic growth in the last three decades after the PRC Government adopted the open door policy in the late 1970s. Such economic growth further accelerated as a result of China’s accession to the World Trade Organization in 2001. According to the China Statistical Yearbook 2010, compiled by the National Bureau of Statistics of China, China’s GDP increased from approximately Rmb 15,988.0 billion in 2004 to approximately Rmb 34,050.7 billion in 2009, representing a CAGR of approximately 16.6% between 2004 and 2009, making China one of the fastest-growing economies in the world and the third largest economy globally in absolute terms. Meanwhile, GDP per capita in the PRC increased from approximately Rmb 12,336.0 to approximately Rmb 25,575.0 during the same period.

INDUSTRY OVERVIEW

The following table sets forth selected annual data relating to the PRC economy for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004-9 CAGR
Population (million)	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0	1,334.7	0.5%
Nominal GDP (Rmb billion)	15,988.0	18,494.0	21,631.0	26,581.0	31,405.0	34,051.0	16.6%
Real GDP growth (%)	10.1	11.3	12.7	14.2	9.6	9.1	—
GDP per capita (Rmb)	12,336.0	14,185.0	16,500.0	20,169.0	23,708.0	25,575.0	15.7%
Consumer price index							
growth (%)	3.9	1.8	1.5	4.8	5.9	-0.7	—
Unemployment Rate (%)	4.2	4.2	4.1	4.0	4.2	4.3	—
Per capita disposable income							
(Rmb)	9,421.6	10,493.0	11,759.5	13,785.8	15,780.8	17,175.0	12.8%
Foreign direct investment							
(US\$ billion)	60.6	60.3	63.0	74.8	92.4	90.0	8.2%
Fixed asset investment							
(Rmb billion)	7,047.7	8,877.4	10,999.8	13,732.4	17,282.8	22,459.9	26.1%
Total imports and exports							
(US\$ billion)	1,155	1,422	1,760	2,174	2,563	2,208	13.8%
Consumption expenditure of residents (Rmb)	5,032	5,573	6,263	7,255	8,349	9,098	12.6%

Source: China Statistical Yearbook 2010, National Bureau of Statistics of China

INDUSTRY OVERVIEW

Central China

Below is a map of China showing Central China and its neighboring provinces.



Central China consists of six provinces located in China's central hinterland, namely, Shanxi, Anhui, Jiangxi, Henan, Hubei and Hunan, with a total area of approximately 1.04 million sq. km. and a population of approximately 356.1 million.

Historically, developments in the provinces of Central China have lagged behind China's coastal provinces. With the combination of rising costs and mounting wages for doing business in the coastal regions of China in the last few years, the provinces in Central China have increasingly attracted both foreign and domestic investments from the coastal regions of China. In addition, the provinces in Central China have made significant investments in infrastructure and other public works in part as a response to the PRC Government's economic stimulus program implemented in the wake of the global financial crisis in late 2008. These infrastructural developments have laid the foundation for potential rapid economic growth of Central China in the years to come.

INDUSTRY OVERVIEW

The table below sets forth selected economic indicators of six provinces in Central China as of December 31, 2009.

	Hubei	Hunan	Shanxi	Anhui	Henan	Jiangxi	Total
Land area (million sq. km.)	0.2	0.2	0.2	0.1	0.2	0.2	1.1
Population (million)	57.2	64.1	34.3	61.3	94.9	44.3	356.1
GDP (Rmb billion)	1,296.1	1,360.0	735.8	1,006.3	1,948.0	765.5	7,111.7
Per capita GDP (Rmb)	22,677	20,428	21,522	16,408	20,597	17,735	—
Industrial Value (Rmb billion)	1,556.7	1,350.8	925.0	1,331.3	2,770.8	978.4	8,913.0
Foreign Direct Investment (US\$ million)	3,658	4,598	1,350	3,880	4,799	4,024	22,309
Total Export (US\$ 100 million)	99.8	54.9	28.4	88.9	73.5	73.7	419.2

Source: China Statistical Yearbook 2010

Hubei Province

Hubei Province is situated in Central China, in the middle reaches of the Yangtze River and to the north of Dongting Lake. It is surrounded by Henan Province to the north, Jiangxi Province and Hunan Province to the south, Anhui Province to the east, Sichuan Province to the west and Shaanxi Province to the northwest. It covers a total area of approximately 185,900 square kilometers and had a population of approximately 57.2 million as of December 31, 2009.

As a result of economic growth in Hubei Province, the purchasing power of Hubei residents has increased significantly over the years, which has supported the growth of the real estate market and the consumer product market in the area. In 2009, the per capita GDP growth rate of Hubei Province increased by approximately 14.4% as compared to 2008. The table below sets forth selected economic statistics for Hubei Province for the periods indicated.

	2004	2005	2006	2007	2008	2009
Population (million)	60.2	57.1	56.9	57.0	57.1	57.2
GDP (Rmb billion)	632.0	659.0	761.7	933.3	1,133.0	1,296.1
As a percentage of PRC GDP (%)	4.0	3.6	3.5	3.5	3.6	3.8
GDP per capita (Rmb)	9,879	11,554	13,360	16,386	19,858	22,677
Retail sales of consumer goods (Rmb billion)	261.9	298.6	346.1	411.6	511.0	592.8
Consumer price index (preceding year = 100)	104.9	102.9	101.6	104.8	106.3	99.6
Unemployment rate (%)	4.2	4.3	4.2	4.2	4.2	4.2
Per capita disposable income (Rmb)	8,023.0	8,786.0	9,803.0	11,485.0	13,153.0	14,367.0
Fixed asset investment (Rmb billion)	235.6	283.5	357.3	453.4	579.9	821.2
Total imports (US\$ billion)	3.4	4.6	5.5	6.7	9.0	7.2
Total exports (US\$ billion)	3.4	4.4	6.3	8.2	11.7	10.0

Sources: China Statistical Yearbook 2010, National Bureau of Statistics of China

The PRC Government strongly supports the growth of Hubei and other provinces in Central China. In 2004, for the first time, the topic of promoting the rise of the Central China region appeared in the Government Work Report of Premier Wen Jiabao. In August 2005, during his inspection trip to Hubei Province, President Hu Jintao explicitly acknowledged the important role of Hubei Province in Central China and declared the PRC Government's intention to focus on Hubei Province as a focus point in the PRC Government's plan to speed up the growth of Central China.

INDUSTRY OVERVIEW

Wuhan

Wuhan is the capital city of Hubei Province and is the most populous city, an important political and economic center as well as a key transportation hub in Central China. The city is situated at the intersection of the middle reaches of the Yangtze and Han Rivers. Wuhan is a major transportation hub, with many railways, roads and expressways passing through the city. It is the intersection of two major national routes the Beijing to Zhuhai highway and the Shanghai to Chengdu highway. The high speed railway from Wuhan to Guangzhou is already in operation and the high speed railways from Shanghai to Wuhan and Chongqing to Wuhan are scheduled to be launched in the near future. Wuhan covers a total area of approximately 8,467 square kilometres and had a population of 8.4 million in 2009. Below is a map of Wuhan.



INDUSTRY OVERVIEW

The following table sets forth selected economic indicators of Wuhan for the periods indicated.

	2004 ⁽¹⁾	2005 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽²⁾
Population (million)	7.9	8.0	8.2	8.3	8.3	8.4	8.4
GDP (Rmb billion)	188.2	226.1	267.9	320.9	411.6	462.1	551.6
As a percentage of Hubei							
GDP (%)	29.8	34.3	35.2	34.4	36.3	35.7	34.9
GDP per capita (Rmb) . . .	23,418	26,548	30,291	36,347	46,035	51,144	65,920
Retail sales of consumer goods (Rmb billion)	99.6	112.9	129.3	151.8	185.0	216.4	252.3
Consumer price index (preceding year = 100)	103.3	102.7	101.4	104.1	105.7	99.4	103.0
Per capita disposable income (Rmb)	9,564.1	10,849.7	12,360.0	14,357.6	16,712.4	18,385.0	20,806.3
Fixed asset investment (Rmb billion)	82.2	105.5	132.5	173.3	225.2	300.1	375.3
Total imports (US\$ billion)	2.4	3.7	4.5	5.2	7.1	5.7	9.3
Total exports (US\$ billion)	1.9	2.5	3.8	4.8	6.9	5.8	8.8

Sources: (1) *China Statistical Yearbook 2010, National Bureau of Statistics of China*
 (2) *2010 Wuhan Statistical Communiqué.*

In 2006, the Wuhan City Circle, which includes Wuhan and eight other neighboring cities in Hubei Province, were designated as one of the four large city circles that are strategically important to the macro-economic growth of the PRC, making Wuhan and its surrounding area a key economic region, along with the Yangtze Delta region, the Pearl River Delta region and the Bohai Rim region. On December 14, 2007, the “Wuhan City Circle”, which includes Wuhan and eight other neighboring cities in Hubei Province, was formally approved by the State Council as a trial area for the development of energy-efficient and environmentally-friendly businesses. Thus, the “Wuhan City Circle” has become a new special zone enjoying preferential government policies, which is similar to the cases of the Shenzhen Special Economic Zone, the Shanghai Pudong New District and the Tianjin Binhai New Area.

It is expected that the PRC Government will continue to implement its policy embodied in the Central China Revitalization Plan (which is a part of the PRC Government’s 11th Five-Year Plan (2006-2010)) in favor of Wuhan becoming the economic and financial center of Central China and put forward additional initiatives to support Wuhan’s development towards the goal.

WHOLESALE MARKETS IN CHINA

Overview

Wholesale markets, also commonly known as commodity exchange markets (商品交易市场) in the PRC, are generally shopping malls or similar places where groups of merchants can display and sell their goods. Wholesale markets may be broadly categorized into integrated markets for wholesale of multiple product groups and specialized markets for wholesale of a single product group. Wholesale markets reduce time and cost for both manufacturers and retailers to search for suitable buyers and suppliers, thus streamlining the circulation of goods and products. According to Savills, the wholesale market sector in China has experienced significant growth in recent years. Based on data from the Statistical Yearbook of China Commodity Exchange Market, in terms of the total number, wholesale markets in China grew

INDUSTRY OVERVIEW

at a CAGR of 6.9% from 2004 to 2009. Wholesale markets have become one of the most effective channels for delivering goods in China, particularly to smaller cities and rural towns and villages.

The following table sets forth total number and selected sales information on wholesale markets with annual sales turnover in excess of Rmb 100.0 million in China for the periods indicated.

Year	Number of markets	Number of units as at year-end (million)	Area (million sq.m.)	Gross sales turnover (Rmb billion)	Wholesale sales turnover (Rmb billion)	Retail sales ⁽¹⁾ turnover (Rmb billion)
2000	3,087	2.12	82.6	1,635.9	1,164.8	471.1
2001	3,273	2.20	94.0	1,771.9	1,256.3	515.6
2002	3,258	2.19	103.1	1,984.0	1,545.1	438.9
2003	3,265	2.15	109.8	2,151.4	1,683.2	468.2
2004	3,365	2.23	124.8	2,610.3	2,111.7	498.6
2005	3,323	2.25	131.4	3,002.1	2,454.4	547.7
2006	3,876	2.53	180.7	3,713.7	2,968.0	745.7
2007	4,121	2.68	198.1	4,408.6	3,587.2	821.4
2008	4,567	2.84	212.3	5,245.8	4,312.0	933.8
2009	4,687	2.99	232.3	5,796.4	4,830.8	965.6

Source: Statistical Yearbook of China Commodity Exchange Market 2009

(1) There are limited retailing businesses conducted in many wholesale markets in China, particularly large-scale integrated wholesale markets.

The following table sets forth the top 10 integrated wholesale markets for consumer products and small household items in terms of planned GFA in China as of December 31, 2010.

Ranking	Integrated Wholesale Market ⁽¹⁾	Region	Planned GFA ⁽³⁾ (sq.m.)
1	Yiwu Small Commodities City 中國小商品城 (義烏)	Yangtze River Delta	4,000,000
2	North Hankou Project 漢口北商品國際商品交易中心 ⁽²⁾	Hubei	2,311,456
3	Wuhan Hanzheng Street Wholesale Market 湖北武漢漢正街	Hubei	2,200,000
4	Changchun New Guangfu Road Market 長春中泰新光夏路市場 ⁽²⁾	Northeast	1,370,780
5	Linyi Wholesale Market 臨沂批發市場	Bohai Rim	1,300,000
6	Wuai Market 瀋陽五愛市場	Northeast	766,000
7	Nan San Tiao Commodity Trade Centre, Shijiazhuang 河北省石家莊市南三條集貿批發市場	Bohai Rim	650,000
8	Chao Tian Men Wholesale Market, Chongqing 重慶朝天門批發市場	Chongqing	600,000
9	China Eastern Silk Market 江蘇東方絲綢市場	Yangtze River Delta	600,000
10	Xinhua Wholesale Market 新華集貿市場	Bohai Rim	590,000

Source: DCMA, Savills

(1) Wholesale markets for industrial materials and equipment and agricultural products are excluded.

(2) According to Savills, except for North Hankou Project and Changchun New Guangfu Road Market, these wholesale markets were completed or substantially completed as of December 31, 2010. Based on Savills' estimate, approximately 14.5% and 15.4% of the planned GFAs of the North Hankou Project and Changchun New Guangfu Road Market, respectively, had been completed as of December 31, 2010.

(3) The planned GFAs were compiled by Savills based on their own data and researches and making reference to the market ranking provided by DCMA.

INDUSTRY OVERVIEW

According to the above table, the North Hankou Project (漢口北國際商品交易中心) was the largest in Central China and the second largest in China in terms of planned GFA as of December 31, 2010 among the top 10 integrated wholesale markets for consumer products and small household items.

Savills has advised that, according to statistics from the National Statistics Bureau of China (中國國家統計局), the average GFA of the integrated wholesale markets in the PRC with annual sales exceeding Rmb 100 million was 49,563.3 sq.m. in 2009. According to Savills, there were 4,687 Major Wholesale Markets in 2009, only a few of which had GFAs of over 400,000 sq.m..

As advised by Savills, among the top 100 Major Wholesale Markets, there were 40 consumer product-oriented markets, while the remaining 60 were focused on agriculture products and raw materials for production. Among the 40 consumer product-oriented Major Wholesale Markets, only one market had a GFA of over 1,000,000 sq.m. (i.e. Yiwu Small Commodities City with a GFA of 4,000,000 sq.m.), 12 markets had GFAs from 400,000 sq.m. to 1,000,000 sq.m. and 27 markets had GFAs of below 400,000 sq.m. in 2009. The GFAs of the 40 consumer product-oriented Major Wholesale Markets ranged from 26,000 sq.m. to 4,000,000 sq.m., and the average GFA of these markets was 380,000 sq.m. (which would be 290,000 sq.m. if Yiwu Small Commodities City is excluded from such average GFA calculation). As advised by Savills, the consumer product-oriented Major Wholesale Markets generally offer a limited range of consumer products.

On the basis that (i) the Major Wholesale Markets had a relatively low average GFA of 49,563.3 as opposed to the North Hankou Project's planned and completed GFA of 2,311,456 sq.m. and 335,772 sq.m., respectively; (ii) the number of consumer product-oriented Major Wholesale Markets with GFAs of over 1,000,000 sq.m. is small; (iii) each of the planned and completed GFAs of the North Hankou Project was larger than the average GFA of the 40 consumer product-oriented Major Wholesale Markets (exclusive of Yiwu Small Commodities City); and (iv) the North Hankou Project has a wide range of product offering under 12 different wholesale shopping malls on a single site, and taking into account the ranking table of the top 10 integrated wholesale markets for consumer products and small household items as above, the Directors believe that our Group is a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls in China, in terms of planned GFA, consumer product coverage and range of value-added supporting services and facilities.

In the wholesale market sector of China, the consumer wholesale market segment has significant potential for future growth. China has become one of the leading manufacturing countries in the world. According to Savills, China is considered the most competitive globally in terms of quality and prices in manufacturing of a large range of consumer products, including, among others, home furniture, leather, fur, textile, electronics and metal hardware, and it has a market share of over 30.0% in each of the global textile, apparel, footwear and headwear markets. While the consumer product manufacturing industries in China are still largely export-oriented, the Chinese consumer product manufacturers have increasingly focused on the domestic market in response to the PRC Government's policies to encourage domestic consumption as well as to rising living standards and consumer spendings in China.

INDUSTRY OVERVIEW

Drivers for Growth of Wholesale Markets in China

The Potential of Growth of Consumer Market in China

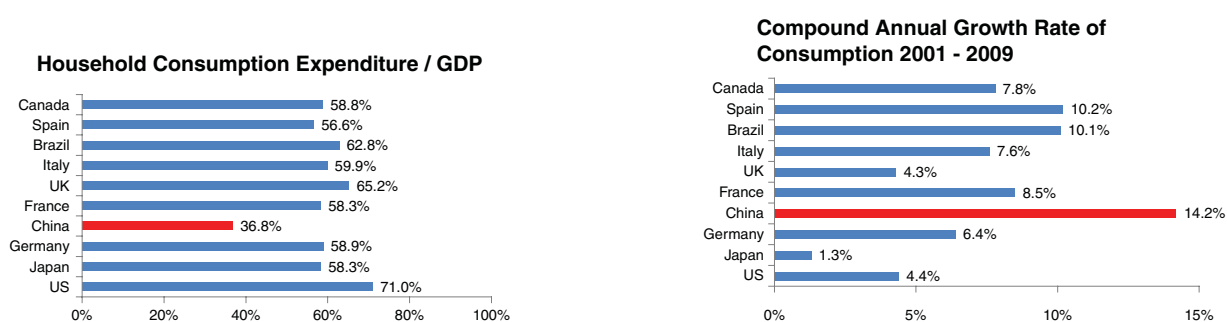
According to data from the United Nations Statistics Division, in 2009, China was the fourth-largest consumer market in the world*, following the United States, Japan and Germany. The ratio of China's consumer spending to GDP was 37%, representing approximately half of the US figure and two-thirds of the Japan figure.

Country	Household Final Consumption Expenditure (US\$ million)	GDP (US\$ million)	Consumer Spending as a % of GDP	% of World's Consumer Market
1 United States	10,026,441	14,119,295	71.0%	28.9%
2 Japan	2,952,706	5,068,997	58.3%	8.5%
3 Germany	1,960,232	3,330,030	58.9%	5.7%
4 China	1,835,277	4,984,426	36.8%	5.3%
5 France	1,545,898	2,649,389	58.3%	4.5%
6 United Kingdom	1,415,354	2,169,485	65.2%	4.1%
7 Italy	1,266,266	2,112,779	59.9%	3.7%
8 Brazil	986,498	1,571,957	62.8%	2.8%
9 Spain	828,547	1,464,088	56.6%	2.4%
10 Canada	786,220	1,336,067	58.8%	2.3%
World	34,689,062	58,068,608	59.7%	100%

Source: United Nations Statistics Division

Note: *Based on household final consumption expenditure which represents consumer spending in nominal terms.

From the table above, the percentage of consumer spending (consumption) to GDP was approximately 37% which is the lowest GDP represented by the top 10 ranked countries, and below the world average of approximately 60%. When comparing with the growth rate of consumption, however, China ranked the highest among the top 10 ranked countries at 14.2% from 2000 to 2009. The following chart sets forth the growth rate of consumption of the top 10 ranked countries from 2001 to 2009.



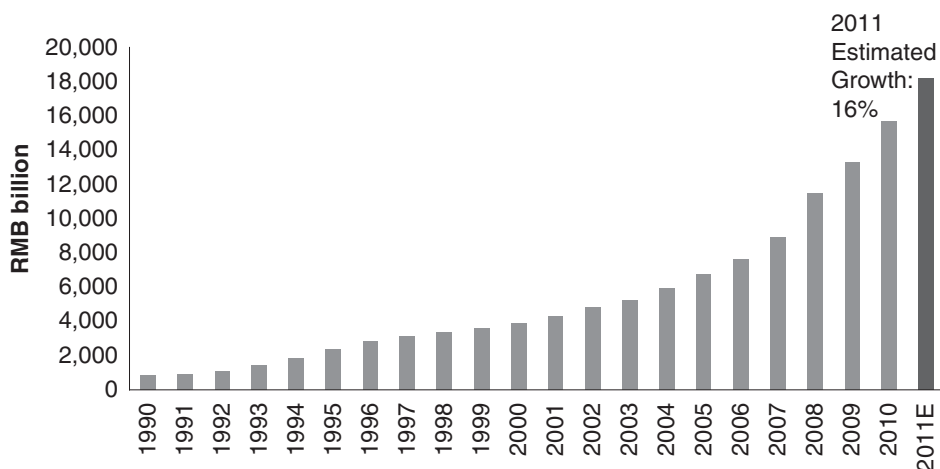
Source: Data from United Nations Statistics Division

During the 12th Five Year Plan period, the Chinese government has started that it will be committed to expanding domestic demand as a long-term strategic goal and to a shift of economic base from manufacturing and export to domestic consumption. The government is committed to increasing household income by an annual average of 7%, and implementing policy initiatives such as lifting the minimum wage level and the threshold of income tax payment to raise residents' disposable income, build a well-developed social safety network and boost domestic household consumption.

INDUSTRY OVERVIEW

The Chinese government's commitments and measures are expected to have a positive effect on domestic household consumption and consumer spending as a percentage of GDP in the next five years. According to the report by Premier Wen in the 11th National People's Congress, total retail sales of consumer goods, a measurement which indicates the size of the domestic retail market and wholesale market, are expected to increase by 16% in 2011 over the 2010 figure, to over RMB18,211 billion.

Retail Sales of Consumer Goods, 1990 - 2011E



Source: National Bureau of Statistics of China

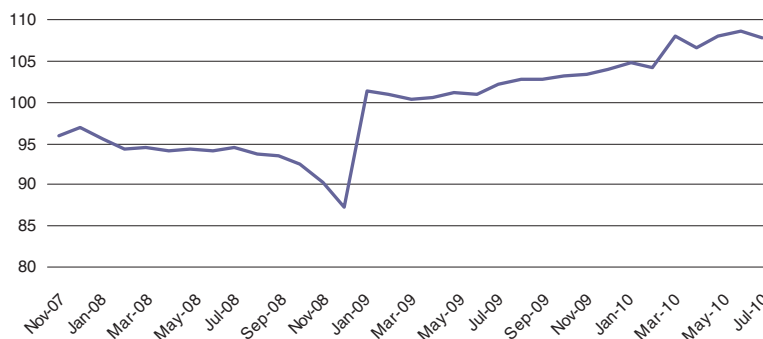
Among different regions of China, it is expected that Central China will perform better than the developed Coastal Region of China. In fact, since 2006, retail sales in Central and western China have exceeded those in eastern China. In addition, as income rises, the income gap between eastern China and Central China will become narrower and consumption pattern between the wealthier eastern and Central China will be evolving in a similar pattern. Savills observed that growth of retail sales and auto sales in Central China has also outpaced those in Eastern China since 2008, and it is expected that spending on other items such as leisure, education, consumable and more durable goods, will be increasing at a rate faster than the developed eastern China.

INDUSTRY OVERVIEW

The key drivers for the growth of the consumer product market sector in China, as well as the growth of the consumer product wholesale market sector, are as follows:

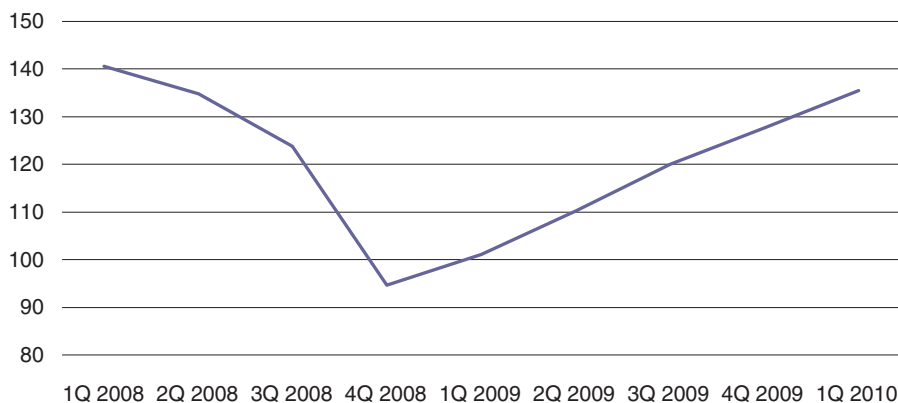
Recovering consumer confidence: a positive sign for wholesale and retail sectors

With the recovery and continued growth of China's economy following the global financial crisis, consumers' confidence has restored and returned to growth path. Consumer confidence index grew steadily since 2009 as prospects of China's economy, income growth and employment are highly positive. Consumer price index has remained positive since 2010, which is a very positive sign to both retail and wholesale sectors. The chart below illustrates the changes of China's consumer price index during the periods indicated.



Source: National Bureau of Statistics of China

Similarly, China's entrepreneurs are equally optimistic about prospects of China's economy, as indicated by China's entrepreneur confidence index* which increased from 120.1 in the third quarter of 2009 to 125.5 in the first quarter of 2010, the highest since 2008. Notably, confidence index for entrepreneurs in the wholesale and retail sector was remarkably higher than other sectors and the national average, which demonstrates a significant positive look for the sector. The chart below illustrates the changes of China's Entrepreneur Confidence Index during the periods indicated.



Source: National Bureau of Statistics of China

According to Savills, it is believed that wholesale markets will remain the most effective channel for distribution of goods and products in China and the positive outlook of the wholesale and retail sector shall be a boost to developments of wholesale markets.

* The entrepreneur confidence index is compiled by the National Bureau of Statistics and is an indicator compiled based on the knowledge, views, judgment and forecast of entrepreneurs on the external market, economic environment and macro-economic policies. The index reflects the feelings and confidence of entrepreneurs in the economy, and places more emphasis on future forecasts.

INDUSTRY OVERVIEW

PRC Government's initiatives to boost consumption

In addition to a Rmb 4 trillion stimulus program, the PRC Government launched a series of initiatives in 2009 to stimulate domestic consumption, and a majority of these measures are expected to continue to be implemented in 2010 and thereafter. These initiatives and measures mainly aim to stimulate domestic consumption in the countryside and a number of sectors such as automobiles, electrical appliances and home appliances, and will continue to serve as a major boost to the wholesale and retail sector, particularly for the less-developed second and third tier cities.

The following table sets forth certain major government initiatives to stimulate domestic and consumption.

<u>Government Initiatives</u>	<u>Details</u>
Automobiles to the Countryside	Subsidize rural households to purchase motorcycles and automobiles
Old for New Subsidies for Automobiles	Subsidies from Rmb 5,000 to Rmb 18,000 for replacing old cars in rural and urban regions
Home Electrical Appliances to the Countryside	Subsidies up to 13.0% of the prices for purchases of designated household appliances for rural households
Old for New Subsidies for Home Appliances	Subsidies of up to 10.0% of the price of the new products to home appliance buyers (television, refrigerator, washing machine, air-conditioner or computer)
Retailer Direct-Farm Sourcing Project	Rmb 400 million government funding allocated to support 200 retailer direct-farm sourcing projects in 2009

Growth of on-line retail: a boost to wholesalers

According to the PRC State Council Information Office, as of April 2010, there were a total of 404 million Internet users in China, with a penetration rate of Internet at approximately 28.9%. In the meantime, on-line shopping in China is experiencing an exponential growth as the transaction value of on-line shopping increased 105.2% year-on-year to Rmb 263.0 billion in 2009, representing 1.98% of the country's total retail sales. According to MOFCOM, it is anticipated that online transactions would account for more than 5% of domestic retail sales value by the end of the 12th Five-Year Plan Period.

The spectacular growth of online shopping in 2009 was attributable to a large extent to the growing numbers of consumers trying bargain-hunting online. This trend indicates that retailers and buyers are willing to shop on different platforms whereas wholesale markets which can provide multiple sales platforms with other auxiliary services will be able to tap this flourishing market and customer group.

Central China

According to the National Bureau of Statistics of China, the total number of wholesale markets of designated size with annual total sales turnover in excess of Rmb 100 million in Central China increased from 563 in 2004 to 802 in 2009. Total GFA of operating areas increased from 15.2 million sq.m. in 2004 to approximately 33.6 million sq.m. in 2009. Average GFA of operating area per market increased to approximately 41,854.0 sq.m. in 2009, at a CAGR of 9.1% over the same period as the scale of wholesale markets in Central China has generally increased since 2004.

INDUSTRY OVERVIEW

The following table sets forth selected performance metrics of wholesale markets with annual sales turnover in excess of Rmb 100 million in Central China for the periods indicated.

	2004	2005	2006	2007	2008	2009	CAGR
Number of Markets	563	532	661	702	794	802	7.3%
Number of Stalls	351,093	350,646	405,585	436,642	472,840	500,465	7.3%
Operating Area (million sq. m)	15.2	15.8	23.4	34.6	31.9	33.6	17.1%
Sales Turnover (Rmb billion)	295.3	337.9	443.1	489.3	599.3	683.1	18.3%
Wholesale portion (Rmb billion)	220.8	285.4	329.5	377.7	463.9	547.0	19.9%
Retail portion (Rmb billion)	74.5	82.5	113.6	111.6	135.4	136.2	12.8%
% of wholesale portion	74.8%	84.5%	74.4%	77.2%	77.4%	80.1%	—
Average operating area per market (sq. m.) . . .	27,034	29,675	35,425	49,306	40,233	41,854	9.1%
Average operating area per stall (sq. m.)	43	45	58	79	68	67	9.1%
Average sales turnover per stall (Rmb)	841,059	963,564	1,092,570	1,120,550	1,267,427	1,365,011	10.2%

Source: National Statistics Bureau of China

According to Savills, trends of wholesale markets in Central China are as follows:

Regionalization and consolidation of wholesale markets in Central China

The wholesale markets in China have historically been concentrated and regionally-based as the wholesale markets in different regions focus on trading of different ranges of products where the relevant regions have cost advantages. In addition, as the economies of different regions grow at different paces, the levels of their development in transportation, logistics and infrastructure vary significantly. Consequently, more developed coastal regions, such as the Yangtze River Delta Region, the Bohai River Rim Region, and the Pearl River Delta Region, have developed a large number of large-scale wholesale markets in a large number of product groups.

In recent years, the wholesale market in China has gradually transformed into five major regions in which the following cities/provinces have taken the lead in the development of wholesale markets:

- Wuhan as the major center in Central China;
- Yiwu and Hangzhou in Zhejiang as the major centre in Yangtze River Delta Region;
- Shenyang in Liaoning as the major centre in Northeast China;
- Guangdong and Fujian Province as the major centre in Pearl River Delta Region and South China Region; and
- Chengdu and Chongqing as the major centre in Western China.

INDUSTRY OVERVIEW

Among these major wholesale market centres, Wuhan, as a latecomer, has an advantage in its heavy investment in infrastructure and transportation in recent years, as well as its advantage as a transportation hub in Central China and its long history of trade and commerce in China. The city has been an important distribution centre for goods and products in China, and the Hanzheng Street Small Commodities Market, with a history of over 500 years, is one of the largest wholesale markets in China with annual sales transaction volume exceeding Rmb 60 billion.

Decentralization and reconfiguration of wholesale markets

Wholesale markets in China in general face problems, such as outdated design and lack of sufficient space for expansion or reconfiguration to cater for needs and requirements of buyers and wholesalers. In addition, the majority of traditional wholesale markets, whilst situated in prime locations such as city centers, have gradually become obsolete in terms of function. As a result, local governments in various provinces have been actively designating new locations, mostly in suburbs or in newly developed areas, as the location for development of modern, mega-size wholesale market clusters. The South China City in Shenzhen, Bai Gou Small Commodities City in Hebei, Linzhi Modern Trade and Commerce City in Shandong, and Yiwu Integrated Trade and Commerce City are prime examples of mega-size wholesale markets migrating to suburban areas to accommodate and respond to the re-zoning and other urban development plans of local governments. This trend of decentralization and outbound movement of wholesale markets to city outskirts are spreading to provinces such as Shandong, Kunming, Henan (Zhengzhou), Shenyang (Liaoning) and Changchun (Jilin). According to Savills, in many cases, the relevant local governments have played an active role in the relocation of old and open-air wholesale markets near city centers to the outskirts.

Wuhan is in no exception to such trend. The Hanzheng Street Wholesale Market has undergone a wholesale expansion and reconfiguration in the past few years, despite the limited availability of retail space in the city center and the increasing pressure of transport jams within the developed Hankou, Hanyang and Wuchang Districts. In addition, the Wuhan Government has laid down an aggressive and massive plan to build a mega-sized North Hankou Wholesale Market Cluster in Huangpi District, taking advantage of the formation of a new transportation nexus in the Tianhe International Airport, the Wuhan North Railway Marshalling Station and the Yangluo Harbour. According to Savills, it is believed that the new North Hankou Wholesale Market Cluster will take over the major wholesale and goods distribution function from those in the city center and is expected to become the most prosperous wholesale region within Central China.

Forces of industrial migration fostering the growth in Central China

According to Savills, after several decades of rapid development, the coastal regions of China have encountered a series of bottlenecks in their economic growth, such as high business and labor costs. As a result, many enterprises in coastal regions have started to build production facilities in and expand their operations to inland regions. The local governments in the inland areas have invested heavily in transportation and other infrastructure with a view to attracting inbound investments. The PRC Government has also implemented important policy initiatives in promoting the development of inland China regions as the base for industrial migration. MOFCOM has identified and approved a total of nine cities in Central China as the major centers for such industrial migration. These nine cities include Wuhan in Hubei Province, Nanchang and Kunzhou in Jiangxi Province, Binzhou, Xinxiang, Zhaozuo in Henan Province, Hefei and Wuhu in Anhui Province, and Taiyuan in Shanxi

INDUSTRY OVERVIEW

Province. As the trend of industrial migration to inland China continues, the investment in the development for transportation and other infrastructure will increase and new industrial cluster in different sectors are expected to be formed. This in turn is expected to greatly benefit the growth of the wholesale markets sector in China's inland regions.

Wuhan

Overview

According to the Wuhan Statistics Bureau, the total number of wholesale markets in Wuhan decreased from 570 in 2004 to 549 in 2009 while the total operating area increased from 3.5 million sq.m. to 4.3 million sq.m. during the same period, representing an increase of average GFA per market from 6,109.0 sq.m. to 7,872.0 sq.m. Total sales turnover increased from Rmb 45.6 billion in 2004 to Rmb 64.8 billion in 2009, representing a CAGR of approximately 7.3% during the same period. The following table sets forth certain key performance indicators of wholesale markets in Wuhan for the periods indicated.

	2004	2005	2006	2007	2008	2009
Total number of wholesale shopping malls ..	570	546	559	530	584	549
Total number of units	71,841	71,054	92,142	89,927	100,267	101,828
Total number of rented units	N/A	N/A	73,009	72,472	82,884	84,227
Percentage of rented units (%)	N/A	N/A	79.2%	80.6%	82.7%	82.7%
Total sales turnover (Rmb billion)	45.6	51.5	54.7	49.0	59.3	64.8
Total retail area (million sq.m.)	3.5	4.0	3.7	4.0	4.4	4.3

Source: 2010 Wuhan Statistical Yearbook

Wholesale Market Property Sector in Wuhan

Wholesale markets in Wuhan have been undergoing a period of consolidation during 2004 to 2009 as large-scale wholesale markets such as Hanzheng Street Wholesale Market (漢正街批發市場) undertook a long period of refurbishment and re-configuration which, as a consequence, affected performance. The wholesale markets in Wuhan in general are typically old, bazaar-like in style and small in size and lack amenity and ancillary facilities. They have become less attractive to buyers when compared with newer and more modern integrated trade and display centers in the coastal regions of China.

In line with development of wholesale markets in other areas of China, the wholesale market sector has started to become increasingly professionalized and departmentalized, providing the platforms for a limited range of product groups. According to data of Wuhan Statistics Bureau, the total number of integrated wholesale markets in Wuhan dropped from 343 in 2004 to 236 in 2009, whereas total number of specialized wholesale markets increased from 182 to 313 during the same period. Total sales turnover transacted in specialized wholesale markets increased from Rmb 35.3 billion in 2004 to Rmb 57.4 billion in 2009, representing a CAGR of approximately 11.5%.

INDUSTRY OVERVIEW

The following table sets forth selected key performance indicators of integrated and specialized wholesale markets in Wuhan for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004-09 CAGR
Integrated Markets							
Total no. of integrated markets	343	327	327	310	237	236	-7.2%
Total Sales Turnover (Rmb billion)	7.5	7.8	13.6	12.8	6.2	7.3	-0.5%
Total Business Area (million sq. m.)	0.9	0.9	0.9	0.9	1.6	1.0	1.1%
Specialized Markets							
Total no. of specialized markets	182	181	194	189	347	313	11.5%
Total Sales Turnover (Rmb billion)	35.3	41.0	38.5	34.2	53.2	57.4	10.2%
Total Business Area (million sq. m.)	1.9	2.5	2.2	2.5	2.8	3.4	11.6%

Source: 2010 Wuhan Statistical Yearbook

Large-scale wholesale markets are relatively rare in Wuhan as the total number of wholesale markets with annual sales turnover exceeding Rmb 100 million reached just 67 in 2009, representing a market share by the number of markets of 12.2%. Sales turnover of these large-scale wholesale markets however represented more than 87% of the city's total in 2009, and they play a very important role in Wuhan's wholesale and retail markets.

According to data from Wuhan Statistics Bureau, average retail area per market for large-scale wholesale markets increased from 28,738.0 sq. m. in 2006 to 33,432.0 sq. m. in 2009, representing a CAGR of approximately 5.2%. Average retail area per stall however dropped from 74.0 sq. m. in 2006 to 67.0 sq. m. in 2009. Occupancy rate of large-scale wholesale markets, represented by percentage of rented stalls, increased from 84.2% in 2006 to 93.1% in 2009, demonstrating the popularity of these markets in Wuhan.

The following table sets forth selected performance indicators of wholesale markets with annual sales turnover exceeding Rmb100 million in Wuhan for the periods indicated.

	2006	2007	2008	2009	2006-9 CAGR
Total no. of wholesale markets	67	66	69	67	0%
Total no. of stalls	26,122	26,934	30,587	33,541	8.7%
Total no. of rented stalls	21,992	23,730	26,264	31,219	12.4%
% of rented stalls	84.2%	88.1%	85.9%	93.1%	—
Total sales turnover (Rmb billion)	45.5	41.4	51.3	56.7	3.4%
Total retail area (million sq. m.)	1.9	2.0	2.5	2.2	7.6%
% of total wholesale markets in number (%)	12.0%	12.5%	11.8%	12.2%	—
% of total wholesale markets in no of stalls (%)	28.3%	30.0%	30.5%	32.9%	—
% of total wholesale markets in area	51.6%	49.9%	56.0%	51.8%	—
% in sales turnover	83.1%	84.5%	86.5%	87.6%	—
Average retail area per market	28,738	29,900	36,020	33,432	5.2%
Average retail area per stall	74	73	81	67	-3.3%

Source: 2010 Wuhan Statistical Yearbook

The Hanzheng Street Wholesale Market is the major wholesale market in Wuhan and in Hubei Province. With a history of over 500 years, the Hanzheng Street Wholesale Market has experienced significant development since the late 1970s and emerged as the largest wholesale market in China in terms of site area and sales turnover in the 1990s.

INDUSTRY OVERVIEW

The Hanzheng Street Wholesale Market comprises mostly a large number of street-based wholesale markets that run through a total of 78 streets in Hankou District, which has a total site area of approximately 2.56 sq.km. According to Savills, the total retail area of the old street bazaars-type wholesale markets and the addition of a number of new markets, such as Hanzheng Street First Avenue (漢正街第一大道), Qi Ji Commercial Plaza (暨濟商城), Hanzheng Street Clothing and Apparel Wholesale Market (漢正街品牌服飾批發廣場), amounts to approximately 2.4 million sq.m. with over 27,000 wholesalers and 70 wholesale markets in different sizes. The Hanzheng Street Wholesale Market now covers consumer wholesale products such as clothing and apparel, leather luggage and bags, home appliances, shoes, plastic products, porcelain, handcraft goods, cloth, daily household items, and non-staple food categories, with total annual sales turnover (including both wholesale and retail sales) at over RMB60.0 billion.

Supply of Wholesale Markets in Wuhan

In line with the PRC Government's policy initiative to promote product distribution industry and move such industry up the industrial value chain, the Wuhan government has identified and planned to build the North Hankou Wholesale Market Cluster (漢口北專業市場群) since 2007, at selected locations in the Panlongcheng Economic and Technology Development Zone of Huangpi District.

According to plans from the Huangpi District Government, there will be a total of nine large-scale specialized wholesale markets to be constructed within the Panlongcheng Economic and Technology Development Zone in the five-year period starting from 2007. The planned specialized wholesale markets, when completed, will transform the region into the largest wholesale market cluster in Wuhan and in Central China.

INDUSTRY OVERVIEW

The following table sets forth certain information on the nine major wholesale markets in the Panglong Economic Development Zone in Wuhan.

Wholesale Market	Site Area (sq. m.)	Planned GFA (sq. m.)	Expected Completion Date ⁽¹⁾	Developer	Sector
North Hankou Project ⁽²⁾	1,488,310	3,264,732	2013	Zall Development	Footwear and leather, small household items, hotel products and supplies, cotton knitwear, apparel, home textiles, electronics and home appliances, gifts, textiles, luxury goods, general products and automobile parts and accessories
The Furniture CBD (中國傢俱) CBD	5,333,360	3,000,000 ⁽³⁾	Phase I completed in 2009	Golden Horse Home Furniture Triumph Group (香港金馬凱旋集團)	Home furniture
Four Seasons Agricultural Products Market (四季美農貿城)	3,333,350	3,000,000 ⁽³⁾	Construction commenced in 2008	De Da Group (德大集團) New Talent Team Group (新聚仁機構)	Agricultural products
Continental Building Materials Town (珩生五洲建材城) ..	1,343,427	1,400,000	Construction commenced in 2009	Hubei Heng Sheng Wu Zhou Construction Co., Ltd. (湖北珩生五洲建材股份)	Building material
The Yangtze Metal Trading Center of China (中國長江金屬交易中心) .	1,689,340	530,000	2013	Wuhan Jia Hai Metal Group (佳海集團)	Metal
Rong Zhong Petrochemical Logistics Centre (榮中石化物流基地)	666,670	See note (4)	N/A ⁽⁵⁾	Wuhan Nan Shun Logistics Co. Ltd. (武漢南順物流公司)	Petroleum product storage
Wen Hua International Home Decoration and Lifestyle Exhibition Centre (文華國際家居生活 藝展中心)	N/A ⁽⁵⁾	80,000	2011	Wen Hua Group	Home furniture and decoration
Xinhe Agricultural Products Exhibition and Distribution Centre (信和國際農產品展銷 配送中心)	N/A ⁽⁵⁾	500,000	N/A ⁽⁵⁾	Wuhan Nan Shun Logistics Co. Ltd. (武漢南順物流有限公司) Senox Co., Ltd. (東莞信立實業有限公司) Wang On Group (香港宏安集團)	Information exchange, trading, processing and distribution of agricultural products
Zhong Kai Chinese Medicine Market ⁽⁶⁾ (中凱中藥材市場)	1,333,340	N/A	N/A	N/A	Chinese medicine

Source: Savills

(1) Earliest completion date estimated by Savills.

(2) As of March 31, 2011, the North Hankou Project (District II) with a site area and planned GFA of approximately 1,312,222 sq. m. and 3,280,555 sq. m., respectively, is also planned and is estimated to be completed in 2015. The project

INDUSTRY OVERVIEW

will be developed by Zall Development and the categories of consumer products are expected to include children's products, personal care products, digital and electronic products, hardware and small machinery, hotel products and supplies, and apparel.

- (3) The GFA figures are estimated by Savills.
- (4) The logistics centre is planned to include two 5,000-ton berths for petroleum products and two 5,000-ton cargo berths.
- (5) "N/A" means that no public information is available.
- (6) The Zhong Kai Chinese Medicine Market is still in the planning stage and certain project details are not available to the public.

The North Hankou Project developed by us is one of the key development projects within the proposed North Hankou Wholesale Market Cluster in Huangpi District. As of March 31, 2011 with a total site area of 1,488,310 sq. m. and a total planned GFA of approximately 2,711,468 sq. m. in wholesale shopping mall area and a supporting facilities area of approximately 553,264 sq. m. upon completion, the proposed integrated trade and display center will be one of the largest markets of its kind in Central China and nationwide, according to Savills. Savills has advised that, to its best knowledge, there are in total nine major wholesale markets (developed/under development/to be developed) in the Panglong Economic Development Zone in Wuhan. Though among these projects, there are certain projects such as The Furniture CBD and Four Seasons Agricultural Products Market having planned GFAs larger than that of the North Hankou Project, each is planned and designated as a specialized wholesale market for a single consumer product sector and unable to provide a wide range of value-added supporting services and facilities for the trading of a wide variety of consumer products as the North Hankou Project does. Therefore, Savills is of the view that these projects are not comparable to the North Hankou Project. As the developer and operator of the North Hankou Project, we are, according to Savills, a leading developer and operator of large-scale, wholesale consumer product-focused shopping malls in China, in terms of planned GFA, consumer product type coverage and range of value-added supporting services and facilities.

Logistics Industry of Wuhan

The logistics industry in Wuhan has generally experienced significant annual growth in recent years. According to statistics from the Wuhan government, logistics value of Wuhan increased from Rmb 646.7 billion in 2004 to Rmb 1,107.1 billion in 2009, representing a CAGR of approximately 11.4% during the same period.

Wuhan has targeted to become the logistics center in Central China in response to the PRC Government's plan to strengthen the development of Central China. To this end, investment in the logistics infrastructure and transportation has accelerated in last several years. According to data from the Statistic Bureau of Wuhan, total fixed-assets investments in logistics infrastructure and transportation increased from Rmb 5.5 billion in 2004 to Rmb 27.7 billion in 2009, representing a CAGR of approximately 38.0% during the same period. The following table sets forth total investments in logistics infrastructure and transportation in Wuhan for the periods indicated.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR</u>
Investment in Transportation, Storage and Postal Services (Rmb in billion)	5.5	9.4	16.7	15.4	19.8	27.7	38.0%

Passenger and freight traffic in Wuhan has generally increased in recent years. The following tables set forth volumes of passenger and freight traffic in Wuhan for the periods indicated.

INDUSTRY OVERVIEW

Total Volume of Passenger Traffic in Wuhan, 2004-2009

	<u>Railways</u>	<u>Highways</u>	<u>Air transportation</u>	<u>Total Passenger Traffic</u>
	in millions			
2004	29.6	94.8	4.5	128.9
2005	46.3	102.9	4.9	154.1
2006	51.3	115.0	7.1	173.4
2007	48.5	107.7	5.7	161.9
2008	60.6	120.8	7.7	189.2
2009	64.4	145.3	7.6	217.3
CAGR	16.8%	8.9%	11.1%	11.0%

Source: Wuhan Statistics Bureau

Volume of Freight Traffic in Wuhan, 2004-2009

	<u>Railways</u>	<u>Highways</u>	<u>Air transport</u>	<u>Waterways</u>	<u>Total Freight Traffic</u>
	in million tons				
2004	58.7	78.1	0.06	33.7	170.5
2005	84.9	85.0	0.06	26.3	196.2
2006	97.3	99.2	0.09	29.0	225.5
2007	89.9	89.7	0.06	25.2	204.8
2008	102.2	105.2	0.08	84.2	291.6
2009	98.4	166.8	0.07	78.8	344.1
CAGR	10.9%	16.4%	3.1%	18.5%	15.1%

Source: Wuhan Statistics Bureau

BUSINESS PARK MARKET IN CHINA

Overview

The business park sector in China has its origin as industrial complexes that were built in numerous industrial zones in various regions across China in the 1980s. These industrial complexes were largely conventional industrial structures with low building specifications. As the PRC Government started to increasingly focus on developing high-tech sectors in China, over time business parks have gradually emerged within industrial zones and in some outskirt areas of large industrial clusters in the late 1990s. This trend accelerated in the past few years as an increasing number of international developers and other players, such as CapitalLand, Shui On Group, Ascendas, Mcquarie Goodman and Fraser Group, have entered the business park sector in China.

Business parks in China nowadays typically comprise a wide spectrum of facilities that cater to the needs of different companies ranging from transnational enterprises to large domestic corporations to new start-up companies. Companies can choose from ready-built facilities that come with quality finishes, innovative designs, functional layouts and easy accessibility or they can build their own facilities on vacant land. There are also specialized business parks that are equipped with well-developed infrastructure and high-quality facilities. The newest generation of business parks and developments for corporate campuses in China come with a full range of leisure amenities such as gymnasiums, food courts and cafes, supported with community-type developments that combine residential, retail and other leisure facilities to create a work, live and play environment, thus expanding these parks and developments into communities or corporate towns.

INDUSTRY OVERVIEW

According to Savills, based on industry sources, as of 2007, the business park sector in China is estimated to have a total GFA of approximately 17 million sq.m., of which approximately 61.2% were in Beijing, Shanghai, Dalian and Guangzhou, with the remaining 38.8%, or approximately 6.6 million sq.m., spreading among various other cities in China. With the emergence of the business park sector and entry of international developers and other players, by 2010, the business park sector in China is estimated to be more than double the size in 2007, reaching approximately 38 million sq.m. It is expected that future supplies of business parks will be concentrated in Beijing, Shanghai, Dalian and Guangzhou as well as in certain 2nd tier cities, such as Suzhou, Chengdu, Xi'an and Tianjin.

According to Savills, the business park sector is poised for solid and strong growth driven by the sustained economic growth of China and its huge potential in research and development and high-tech advancements.

Wuhan

The emergence of business parks and corporate campuses in Wuhan can be dated back to the development of the Donghu Hi-Tech Economic Development Zone since the early 2000s. With the promotion of Central China by the PRC Government in 2006 and the promotion of Wuhan as the center of Central China, business park development in Wuhan has accelerated its pace in the past three years.

Major business park districts in Wuhan include the Panlongcheng Economic and Technology Development Zone area in Huangpi District, the Donghu Hi-Tech Development Zone area near Wuchang District, and the new financial district in Jiangnan District which aims to become the center for financial activities in Wuhan.

(1) *Panlongcheng Economic and Technology Development Zone.* Business parks are products in the Panlongcheng Economic and Technology Development Zone and in some scattered parts of Dong Xi Hu District which are developed under the local district government's plan to convert the area into a provincial and regional wholesale and retail market center as part of the North Hankou wholesale market cluster. New business parks launched include our No.1 Enterprise Community (with a planned GFA of 696,673 sq.m.) and Central Intelligent Valley (with a planned GFA of 700,000 sq.m.) in Golden and Silver Lake Eco Park in Dong Xi Hu District. According to Savills, based on its research on business parks in Central China and other parts of China, the No.1 Enterprise Community is the largest business park for corporate campuses in Central China in terms of total GFA and sales value.

(2) *Donghu Hi-Tech Development Zone Area.* With the success of the development zone in attracting hi-tech multinational companies and strong support of local government, the Donghu Hi-Tech Development zone has become China's most important hi-tech industry base after only Zhongguancun Science Park in Beijing. It is one of the most important districts in Wuhan for high-tech industries such as optoelectronic information, software and information technology and advanced defense technologies and also a key area for business outsourcing activities in Wuhan. According to Savills, the business parks in the Donghu Hi-Tech Development Zone include OV Software Park (with a planned GFA of 730,000 sq.m.), OV Chips Park (with a planned GFA of 240,000 sq.m.), International Enterprise Quarter (with a planned GFA of 140,000 sq.m. (Phase I and II) and 260,000 sq.m. (Phase III) and Wuda Aerospace Park (with a planned GFA of 57,904 sq.m.).

(3) *Jiangnan District.* Business park development in Jiangnan District is still at an early stage. As the district has aimed to become the central financial and business district of

INDUSTRY OVERVIEW

Wuhan, business parks are expected to play a complementary role in attracting business processing outsourcing activities for international enterprises in the financial services sector.

REAL ESTATE MARKET IN CHINA

Overview

In recent years, demand for properties in China has significantly increased due to the continued growth in per capita disposable income and better quality of living. The GFA of commodity properties sold increased from approximately 224.1 million sq.m. in 2001 to approximately 937.1 million sq.m. in 2009, representing a CAGR of 19.6% and the residential properties sold in China increased from approximately 199.4 million sq.m. in 2001 to approximately 852.9 million sq.m. in 2009, representing a CAGR of 19.9%. During the same period, investment in real estate development in the PRC grew rapidly from approximately Rmb 634.4 billion in 2001 to Rmb 3,623.2 billion in 2009, representing a CAGR of 24.3%.

Activity in the real estate market weakened in certain parts of China during the first half of 2008 and the situation worsened in the second half of the same year primarily because consumer confidence weakened as China's economy was adversely affected by the global financial crisis. However, China's real estate market quickly recovered in 2009 with an increase of 53.0% in total sales of commodity properties to Rmb 1,580.0 billion for the first six months of 2009 compared to Rmb 1,033.0 billion for the same period in 2008.

According to the National Bureau of Statistics of China, aggregate sales revenue for commodity properties amounted to Rmb 4,399.5 billion in 2009, representing an increase of 75.5% over 2008. In 2009, aggregate investment in real estate development in China reached Rmb 3.6 trillion, representing an increase of 16.1% over 2008.

INDUSTRY OVERVIEW

The following table sets forth average selling price for different types of properties in China for the period from February 2009 to May 2010. As observed by Savills, it is notable that the average selling prices for commercial properties and residential properties are highly susceptible to the austerity measures that the PRC Government has put in place since April 2010 to contain the rise in residential property prices, whereas average selling prices for offices, commercial properties and other property sector (mainly industrial properties) have been less affected by these measures.

	<u>Commodity properties (Rmb/sq.m.)</u>	<u>Residential properties (Rmb/sq.m.)</u>	<u>Office (Rmb/sq.m.)</u>	<u>Commercial properties (Rmb/sq.m.)</u>	<u>Others (Rmb/sq.m.)</u>
Feb-09	4,668.9	4,404.3	11,707.3	7,077.9	3,670.9
Mar-09	4,308.3	4,146.6	9,540.2	6,045.8	3,644.1
Apr-09	4,649.4	4,506.5	8,395.1	6,853.1	3,378.4
May-09	4,834.0	4,694.6	7,282.6	7,055.2	4,411.8
Jun-09	4,660.2	4,483.2	8,582.1	7,197.1	4,173.9
Jul-09	4,969.9	4,750.7	9,849.6	7,639.6	3,529.4
Aug-09	5,043.7	4,836.1	11,449.3	6,940.9	3,945.6
Sep-09	4,542.7	4,294.6	10,965.5	7,225.7	3,165.5
Oct-09	4,997.5	4,790.5	10,560.0	7,613.4	3,092.1
Nov-09	5,046.4	4,837.7	11,062.5	6,935.2	3,670.2
Dec-09	4,325.8	3,997.1	12,767.9	6,341.3	3,772.3
Feb-10 ⁽¹⁾	5,752.6	5,507.5	10,986.8	8,090.9	3,740.5
Mar-10	4,705.1	4,432.6	9,865.8	7,547.2	4,039.7
Apr-10	5,524.8	5,305.6	11,951.2	7,248.5	3,486.8
May-10	4,921.1	4,606.6	11,954.9	7,716.5	4,370.9

Source: National Bureau of Statistics of China

(1) Data for January 2010 were combined into February 2010.

These tightening measures have put tremendous pressure in the overall residential market, as both average selling prices and sales volume dropped as a response to these measures. According to Savills, as China has rapidly recovered from the global financial crisis, commercial properties will become an attractive sector which is less vulnerable to policy risks.

According to data from the National Bureau of Statistics of China, investment in retail properties increased by approximately 269.0% from January to September 2010 over the corresponding period in 2009, indicating heavy investment into the commercial property sector since the PRC Government's tightening measures have been in effect. In addition, the growth of average selling prices of retail or office properties in major cities in general is slow when compared to that of residential properties. According to Savills, with the increase in wholesale and retail trade activities, the average selling price of commercial properties is expected to increase due to increasing demand for quality space.

INDUSTRY OVERVIEW

The following charts set forth total GFA data of residential and commercial properties sold in China from February 2008 to November 2010. As shown in these charts, residential property sales in China for the 10 months ended November 30, 2010 were highly sensitive to and affected by the policies promulgated by the PRC Government to curb speculative activities in the residential property market. For example, a significant drop in sales during April and June 2010 was observed when the government first introduced tightening policies in April and May 2010. Residential property sales were active again during the second quarter of 2010 up to November 2010, and the PRC Government was alert to the increasing sales activities and is expected to impose more controls over the market, such as property taxes and other control measures. According to Savills, the PRC Government will continue to focus on maintaining a healthy residential property market in 2011 and beyond, and the residential property market will be subject to tightened policy control which will dampen investment demand.



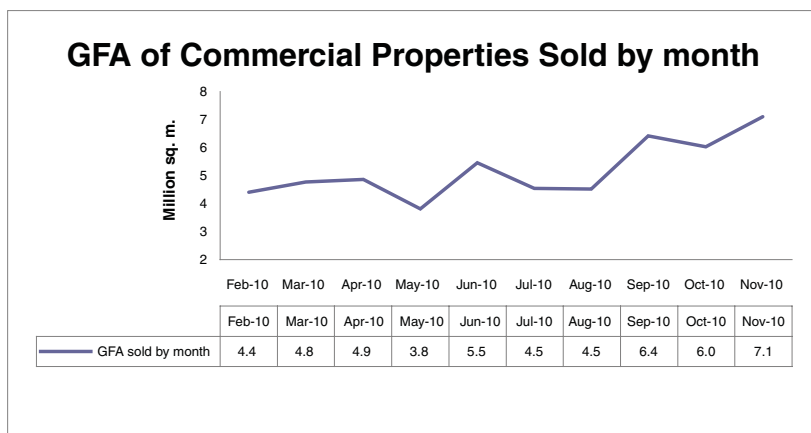
Source: National Bureau of Statistics of China



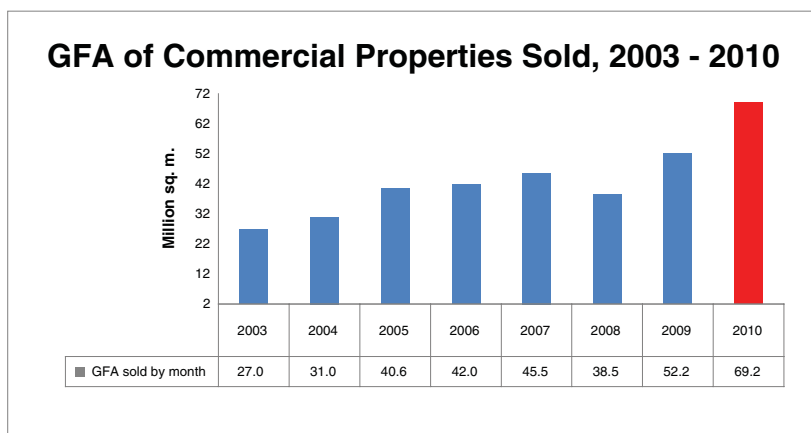
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

In contrast, demand for commercial properties remained stable during 2010 despite the government control measures put in place in 2010. Demand for commercial properties increased from the third quarter of 2010 to over 7.0 million sq. m. in November 2010, representing an increase of 40.0% to 50.0% compared with demand between June to August 2010. As shown in the charts below, total GFA of commercial properties sold in China amounted to 69.2 million sq. m. in 2010, which is a new record of commercial property sales in China for the past decade.



Source: National Bureau of Statistics of China



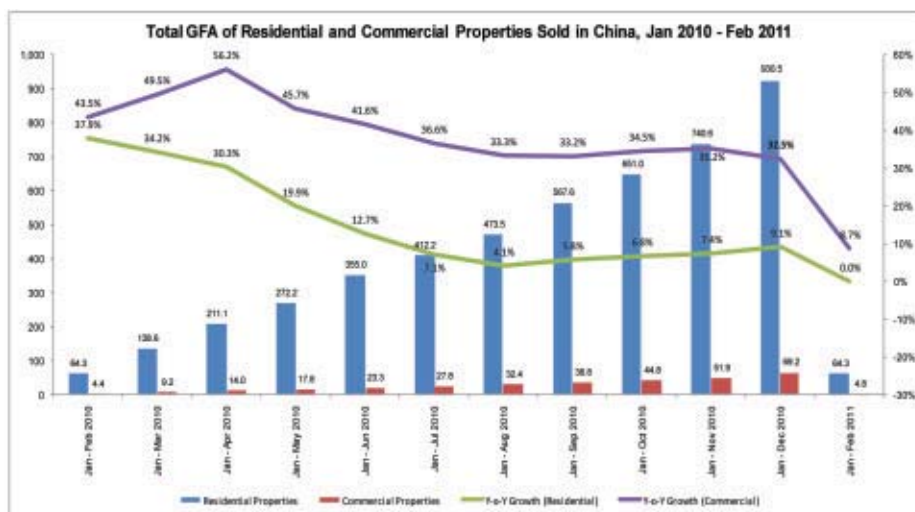
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

The following charts set forth the year-to-year changes of total GFA of residential and retail properties sold from January 2008 to February 2011.



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Central China

The real estate market in Central China has experienced significant growth in recent years. Property development has become an important industry in Central China. The following tables set forth certain information on real estate market of Hubei province in Central China for the periods indicated.

	2004	2005	2006	2007	2008	2009	CAGR
Real Estate Investment (Rmb billion)	33.7	44.8	56.5	72.4	89.3	120.0	28.9%
Investment in residential properties	22.8	31.8	41.1	50.8	66.8	80.4	28.7%
Investment in office properties	0.8	1.3	1.4	1.1	1.6	2.3	23.5%
Investment in commercial properties	3.7	4.5	6.5	7.5	6.4	14.2	30.9%
Investment in other properties	6.4	7.2	7.5	13.0	15.3	23.1	29.3%
Supply of Properties (million sq. m.)							
GFA of commodity properties completed	15.3	16.3	18.2	21.0	20.6	23.1	8.6%
GFA of residential properties completed ...	13.3	14.1	16.0	18.1	18.0	20.1	8.6%
GFA of office properties completed	N/A	0.2	0.4	0.5	0.3	0.3	7.8%*
GFA of commercial properties completed	N/A	1.5	1.3	1.9	1.6	1.8	4.5%*
GFA of other properties completed	N/A	0.4	0.4	0.5	0.7	0.9	23.5%*
Demand of Properties (million sq. m.)							
GFA of commodity properties sold	13.4	17.1	20.4	25.4	19.4	27.2	15.2%
GFA of residential properties sold	12.5	15.5	19.2	23.8	18.2	25.8	15.6%
GFA of office properties sold	0.2	0.3	0.2	0.1	0.1	0.1	-10.3%
GFA of commercial properties sold	0.6	1.0	0.9	1.3	0.8	1.1	4.1%
GFA of other properties sold	0.2	0.3	0.2	0.2	0.3	0.2	2.4%
Property Price Level (Rmb / sq. m.)							
Average selling price of commodity properties	1,672	2,263	2,556	3,053	3,001	3,532	16.1%
Average selling price of residential properties	1,599	2,164	2,422	2,937	2,898	3,413	16.4%
Average selling price of office properties ..	3,173	2,665	3,992	4,608	5,122	4,419	6.8%
Average selling price of commercial properties	2,688	4,049	5,225	5,143	4,863	6,423	19.0%
Average selling price of other properties ..	1,703	1,453	2,209	2,124	3,513	2,903	11.3%

Source: Hubei Statistical Yearbook 2010, China Statistical Yearbook 2010

* CAGR for 2005-2009

Wuhan

According to the Statistical Yearbook 2010 of Wuhan, investment in real estate increased from Rmb 23.3 billion in 2004 to Rmb 77.9 billion in 2009, representing a CAGR of approximately 27.3%. A total GFA of approximately 10.9 million sq.m. of commodity properties was sold in 2009, as compared to approximately 7.3 million sq.m. sold in 2008. Statistics show that the activity of Wuhan's real estate market is mostly contributed by the residential sector from 2004 to 2009. Average selling price of residential and commercial properties in 2009 were approximately Rmb 5,199 per sq.m. and Rmb 11,161 per sq.m., respectively, representing an increase of approximately 11.1% and 33.2%, respectively, as compared to 2008.

INDUSTRY OVERVIEW

The table below sets forth certain information relating to the property market in Wuhan for the periods indicated.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>CAGR</u>
Real estate investment (Rmb billion)	23.3	29.8	36.6	46.0	56.0	77.9	27.3%
Investment in residential properties (Rmb billion)	16.1	21.7	27.2	33.0	41.5	49.8	25.3%
Investment in office properties (Rmb billion)	0.6	1.2	0.9	1.1	1.2	1.9	25.0%
Investment in commercial properties (Rmb billion)	2.3	2.1	3.8	4.1	3.1	7.7	27.3%
Investment in other properties (Rmb billion)	4.2	4.8	4.5	8.0	10.2	18.4	34.1%
Supply of properties							
GFA of commodity properties completed (million sq.m.)	7.0	8.2	8.7	9.3	8.7	9.5	6.1%
GFA of residential properties completed (million sq.m.)	6.1	7.2	7.7	8.1	7.7	8.2	6.3%
GFA of office properties completed (million sq.m.)	0.3	0.1	0.6	0.4	0.2	0.2	-7.3%
GFA of commercial properties completed (million sq.m.)	0.4	0.6	0.5	0.6	0.4	0.6	9.8%
GFA of other properties completed (million sq.m.)	0.3	0.3	0.2	0.3	0.4	0.4	7.2%
Demand for properties							
GFA of commodity properties sold (million sq.m.)	6.6	9.1	9.6	11.4	7.3	10.9	10.6%
GFA of residential properties sold (million sq.m.)	6.1	8.3	9.1	10.7	6.8	10.4	11.2%
GFA of office properties sold (million sq.m.)	0.2	0.2	0.2	0.1	0.1	0.1	-9.7%
GFA of commercial properties sold (million sq.m.)	0.2	0.4	0.3	0.5	0.2	0.3	9.8%
GFA of other properties sold (million sq.m.)	0.1	0.2	0.1	0.1	0.2	0.1	-2.8%
Price level of properties							
Average selling price of commodity properties (Rmb)	2,517	3,061	3,693	4,665	4,781	5,329	16.2%
Average selling price of residential properties (Rmb)	2,463	2,986	3,527	4,519	4,681	5,199	16.1%
Average selling price of office properties (Rmb)	3,625	3,000	4,600	5,714	6,282	5,235	7.6%
Average selling price of commercial properties (Rmb)	3,813	5,467	8,000	8,435	8,379	11,161	24.0%
Average selling price of other properties (Rmb)	2,083	1,632	2,817	3,000	4,250	4,105	14.5%

Source: 2010 Wuhan Statistical Yearbook

DCMA

DCMA is a national not-for-profit association registered with the Ministry of Civil Affairs of the PRC (中華人民共和國民政部) focusing in the wholesale market sector. According to the information publicly available on the website of DCMA as of December 31, 2010, it had not

INDUSTRY OVERVIEW

less than 1,288 members primarily consisting of government authorities, academic organization, research institutes, local industry associations and trade markets. Under the supervision of the Chinese Academy of Social Sciences (中國社會科學院), DCMA is a research-driven association which conducts independent industrial surveys, establishes databases of the wholesale markets throughout the country, provides marketing development plan and training services and organizes annual trade and industry forums and events for the wholesale market sector.

As advised by DCMA, DCMA does not publish the ranking of the wholesale markets in the PRC regularly to the general public, but usually provides the information or statistics extracted from its own database upon specific requests from the members. The ranking table from which we have extracted and derived the information and statistics was provided by DCMA to us at our request. As of the Latest Practicable Date, we paid Rmb 100,980 to DCMA consisting of registration fees for our joining as a member and the annual membership fees as an executive member. Other from the above, we did not pay any compensation to DCMA for obtaining any information or statistics.

SAVILLS REPORT

We have commissioned Savills, an Independent Third Party and an experienced consultant in global real estate industry, to prepare the Savills Report which analyzes wholesale markets, business parks (built-to-suit developments for corporate campuses), logistics industries and real estate markets in Central China and related regions. We paid Savills a fee of Rmb 350,000 for preparing the Savills Report.

Savills has prepared the Savills Report based on various government publications, site visits and interviews as well as Savills' proprietary data on the relevant property sector markets.

In preparing the Savills Report, Savills has adopted assumptions when some information is not available or falls outside the scope of its expertise. While Savills has adopted assumptions based upon careful consideration of known factors, Savills cannot rule out the risk that any of the assumptions may be incorrect. The Savills Report also contains a significant volume of information which is directly derived from secondary sources or based on other third-party information; Savills does not represent and warrant the accuracy or completeness of such information.

In preparing and updating the Savills Report, Savills has adopted a six-step methodology illustrated below to enhance the credibility and accuracy of the forecasts:

- *Market research:* The market specialists at Savills collected related information and data from various sources, which provided an overview of the current market landscape and trends and also formed the basis for the forecast.
- *Market data analysis:* Data collected from the market research process were analyzed to provide additional insights on their historical and future impact on market size and market development.
- *Identifying drivers and factors:* The market specialists then identified the factors that drove and will drive market growth as well as those that restrained and will restrain growth of the market.
- *Integration of opinions:* The specialists further discussed with and interviewed a variety of industry experts and consultants, as well as industry participants and

INDUSTRY OVERVIEW

customers. The data obtained were then integrated with the existing data to provide a refined basis for the forecast data.

- *Forecast:* The market specialists utilized the data and information obtained through the steps above to calculate and estimate the probable price movement of trade center space within the wholesale markets in Wuhan.
- *Quality control:* Before finalizing the report, the market specialists verified the data and forecast by cross-checking against other available data or information.

Forecasts and assumptions included in the Savills Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including but without limitation, the activities of the government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, risks inherent in the wholesale and retail trade industry, uncertainty of renewals of leases, property risks, financing risks, labor risks, regulatory risks and environmental concerns.