
INDUSTRY OVERVIEW

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OVERVIEW OF THE PRC ECONOMY

Overall Economic Growth

China has experienced significant economic growth over the last several decades. From 2007 to 2012, China’s nominal GDP increased at a CAGR of 11.8%, making it one of the fastest growing major economies in the world. In February 2011, China overtook Japan to become the world’s second largest economy.

From 2007 to 2012, retail sales in China grew at a CAGR of 15.4%, with retail sales rising to RMB21.0 trillion in 2012 as household disposable income grew and the Chinese economy increasingly focused on raising domestic consumption in order to reduce its reliance on exports. Per capita annual disposable income of urban households across China grew at a CAGR of 10.1% during the same period.

INDUSTRY OVERVIEW

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | CAGR 07-12 |
|---|-------------|-------------|-------------|-------------|-------------|------------------------|-----------------------|
| Nominal GDP (RMB trillion) | 26.6 | 31.4 | 34.1 | 40.2 | 47.3 | 51.9 | 11.8% |
| Real GDP Growth Rate | 14.6% | 9.8% | 8.9% | 10.8% | 9.2% | 7.7% ^(Note) | N/A |
| Per Capita GDP (RMB) | 20,169 | 23,708 | 25,608 | 30,015 | 35,181 | N/A | N/A |
| Per Capita Annual Disposable Income of Urban Households (RMB) | 13,786 | 15,781 | 17,175 | 19,109 | 21,810 | 24,565 | 10.1% |
| Fixed Asset Investment (RMB trillion). | 13.7 | 17.3 | 22.5 | 25.2 | 31.1 | 37.5 | 18.3% |
| Real Estate Investment (RMB trillion). | 2.5 | 3.1 | 3.6 | 4.8 | 6.2 | 7.2 | 19.3% |
| Retail Sales (RMB trillion) | 8.9 | 11.5 | 13.3 | 15.7 | 18.4 | 21.0 | 15.4% |

Source: China Statistics Bureau 2012 Statistical Year Book, National Bureau of Statistics.

Note: This figure is as revised by the National Bureau of Statistics in September 2013.

Economic Growth By City Tier

Chinese cities vary greatly in size, economic output, level of wealth and overall structure. In order to best capture the trends in China's macro-economy, it is meaningful to break down Chinese cities into tiers based on each city's relative economic development. While the "tier" concept is frequently used in China, there is no generally-accepted list of second-through fourth-tier cities. The following table sets forth the criteria Savills applied in assigning cities into tiers in the Savills Report:

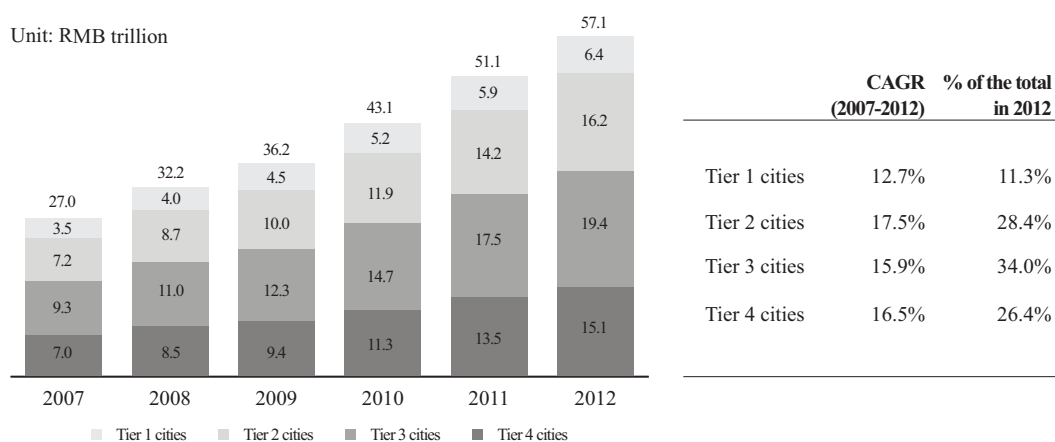
| Tier | No. of Cities | Criteria |
|------|---------------|--|
| 1 | 4 | <ul style="list-style-type: none"> • Cities specified by the Ministry of Construction, including Beijing, Shanghai, Shenzhen, and Guangzhou |
| 2 | 32 | <ul style="list-style-type: none"> • Not a first-tier city • One of China's 36 major cities as defined by the National Statistics Bureau, which are either provincial capitals, direct-controlled municipalities or among the six other major cities designated as "municipalities with independent planning" (計劃單列市) by the PRC State Council |
| 3 | 112 | <ul style="list-style-type: none"> • Not a first-or second-tier city • A city at prefecture level or above • Had a functional airport at the end of 2012 |
| 4 | 140 | <ul style="list-style-type: none"> • All other prefecture level cities |

Source: Savills

INDUSTRY OVERVIEW

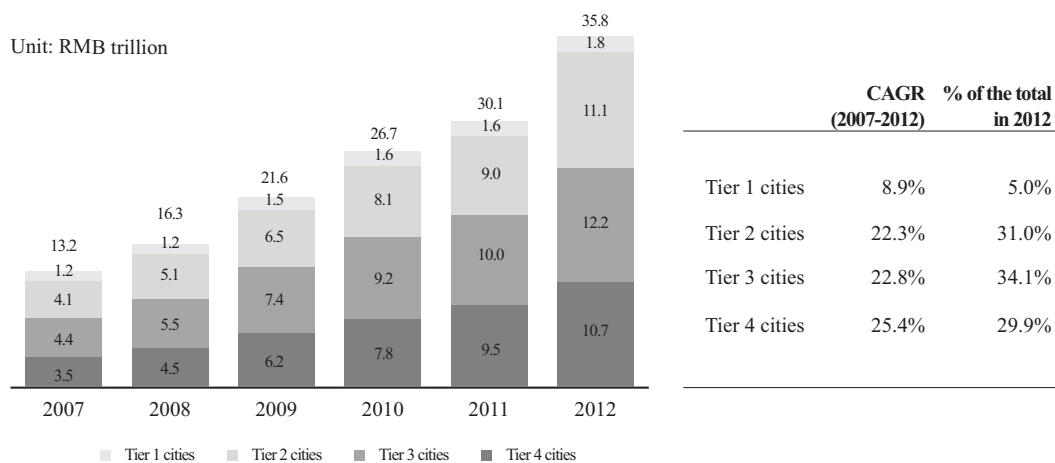
The following figures compare the GDP, fixed asset investment and retail sales of first-through fourth-tier cities for the periods indicated based on data from China's Cities Yearbook. The division of cities into first-through fourth-tiers in the following figures is based on Savills' methodology. According to Savills, certain data for cities that are below prefecture-level in provinces such as Ningxia, Qinghai, Tibet and Xinjiang are not categorized by Savills, and is not analyzed and reflected in the following figures. In addition, the aggregate sums of these figures from first through fourth-tier cities may slightly differ from the national total figures reported by the National Bureau of Statistics. As noted by Savills, these discrepancies are due to the use of different sets of raw data and statistical methodologies by provincial and national statistics bureaus in estimating and reporting certain data points. For figures such as GDP separately recorded by cities or provinces, certain components of GDP data may be double-counted which results in discrepancies that cannot be reconciled.

Nominal GDP by city tiers



Source: Savills

Fixed Asset Investment by City Tiers

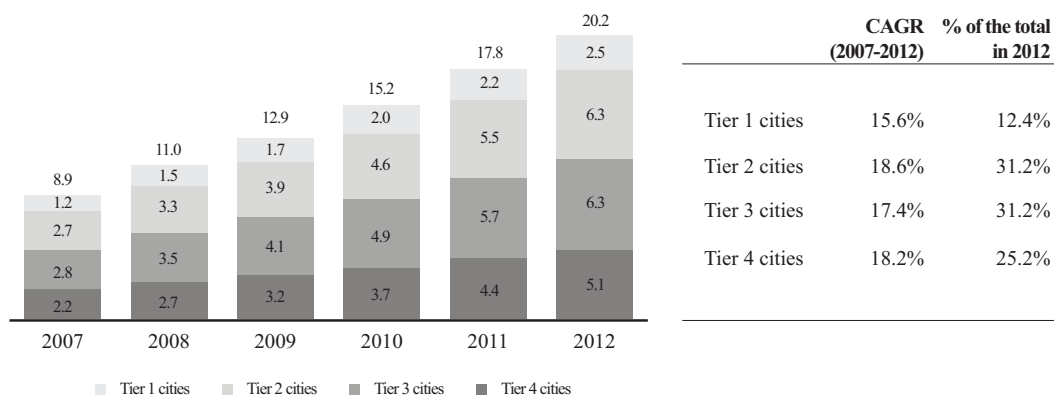


Source: Savills

INDUSTRY OVERVIEW

Retail Sales by City Tiers

Unit: RMB trillion

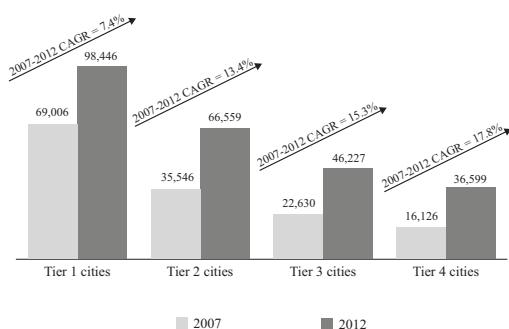


Source: Savills

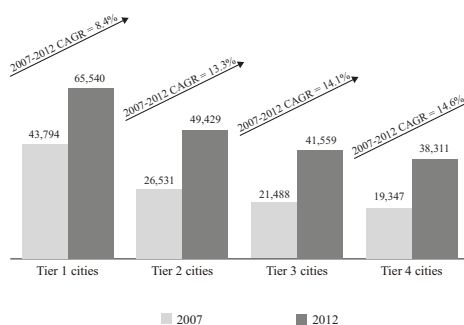
As shown in the figures above, all city tiers experienced strong growth in GDP, fixed asset investment and retail sales from 2007 to 2012. Second-tier cities experienced the strongest GDP and retail sales growth of 17.5% and 18.6% respectively in CAGR from 2007 to 2012 as compared to other tier cities, while third- and fourth-tier cities have the most rapid growth in fixed asset investments, with CAGRs ranging from 22.8% to 25.4% from 2007 to 2012.

The following figures set forth the per-capita GDP and average salary data of first-through fourth-tier cities for the periods indicated.

Per-Capita GDP by City Tiers



Average Salary of Employed Persons by City Tiers



Source: Savills

Per-capita GDP and average salary have also grown steadily across all city tiers from 2007 to 2012. The growth in third- and fourth-tier cities has been especially rapid. For example, per-capita GDP grew at CAGRs of greater than 15% in third- and fourth-tier cities compared to a CAGR of 7.4% in first-tier cities from 2007 to 2012. Average salary in third- and fourth-tier cities have also been

INDUSTRY OVERVIEW

growing rapidly, reducing to some degree the wage disparity among city tiers. For example, in 2012, salaries in fourth-tier cities were 58.5% of those in the first-tier cities, whereas in 2007, salaries in fourth-tier cities were 44.2% of those in first-tier cities.

Urbanization

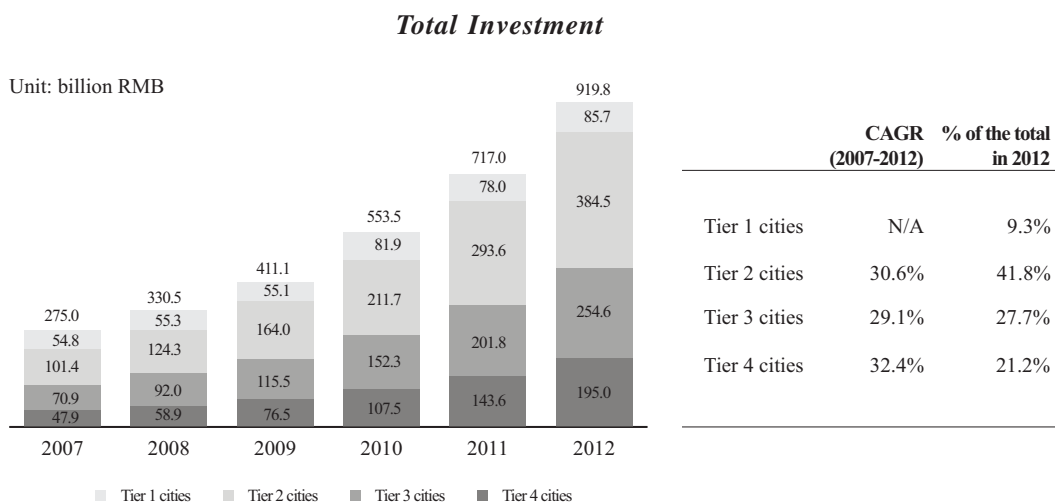
Strong economic growth has encouraged the rapid expansion of cities in China and an acceleration in rural-to-urban migration. As a result, the urbanization rate¹ in China has increased significantly from 37.7% in 2001 to 52.6% in 2012. However, in 2011 the urbanization rate in third- and fourth-tier cities was below 48%, suggesting significant urbanization potential in these cities. The urbanization of these cities will require a more streamlined flow of goods, the creation of efficient wholesale networks and a significant increase in domestic consumption.

COMMERCIAL REAL ESTATE MARKET IN CHINA

In recent years, demand for commercial properties in China has significantly increased due to continued economic growth. According to the National Bureau of Statistics, between 2007 and 2012 commercial real estate investment grew at a CAGR of 27.3%; the GFA of commercial real estate projects under construction grew at a CAGR of 20.1%; the GFA of new commercial real estate projects completed grew at a CAGR of 10.9%; the GFA of commercial real estate sold grew at a CAGR of 10.8% and the average selling price of commercial real estate properties grew at a CAGR of 9.3%.

Commercial Real Estate Investment

On a national scale, investment in commercial real estate has undergone robust annual growth since 2007.



Source: Savills

¹ Urbanization rate is equal to the proportion of urban population (城镇人口) to the total population as calculated by the National Bureau of Statistics. Urban population refers to the persons residing in an urban area with urban household registrations as well as holders of rural household registrations who work in cities and towns with non-agricultural jobs.

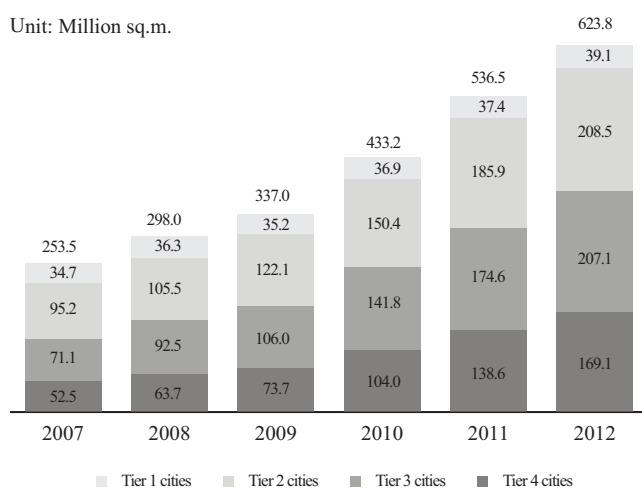
INDUSTRY OVERVIEW

Commercial Real Estate Under Construction and Completed

Since 2007 China as a whole has witnessed strong annual growth in both commercial real estate under construction and commercial real estate completed with the strongest growth coming from third- and fourth-tier cities. Third- and fourth-tier cities' collective share of the national total of commercial real estate under construction has grown from 48.8% in 2007 to 60.4% as of December 2012.

GFA Under Construction

Unit: Million sq.m.

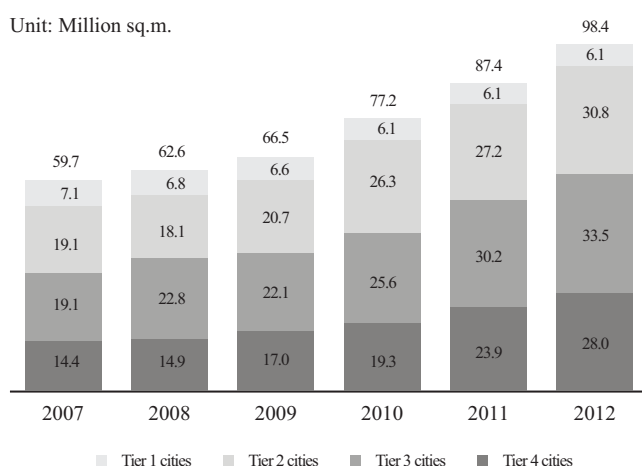


| | CAGR (2007-2012) | % of the total in 2012 |
|---------------|---------------------|---------------------------|
| Tier 1 cities | N/A | 6.2% |
| Tier 2 cities | 17.0% | 33.4% |
| Tier 3 cities | 23.8% | 33.2% |
| Tier 4 cities | 26.4% | 27.2% |

Source: Savills

GFA Completed

Unit: Million sq.m.



| | CAGR (2007-2012) | % of the total in 2012 |
|---------------|---------------------|---------------------------|
| Tier 1 cities | N/A | 6.2% |
| Tier 2 cities | N/A | 31.3% |
| Tier 3 cities | N/A | 34.0% |
| Tier 4 cities | 14.1% | 28.4% |

Source: Savills

INDUSTRY OVERVIEW

Commercial Real Estate Sold

Between 2007 and 2012, GFA of commercial real estate sold in third- and fourth-tier cities grew by 72.6% and 98.3%, respectively. In 2012, third- and fourth-tier cities collectively accounted for 68.0% of all GFA sold during the year.

GFA Sold



Source: Savills

Average Selling Price of Commercial Real Estate

Since 2007, commercial real estate across all city tiers has enjoyed steady price appreciation. Between 2007 and 2012, the average selling prices in third- and fourth-tier cities grew at CAGRs of 10.8% and 10.8% respectively, which roughly equaled the CAGRs in first- and second-tier cities during the same period. In 2012, the average selling price of commercial real estate in first tier cities was RMB18,650 per sq.m. compared to RMB11,831 in second tier cities, RMB8,004 in third tier cities and RMB6,793 in fourth tier cities.

INDUSTRY OVERVIEW

TRADE CENTER MARKET IN CHINA

Overview

Trade centers are assembly markets where a large number of merchants or traders systematically congregate to display and sell their goods.

According to Savills, the trade center market in China developed rapidly between 2000 and 2011. During this period, the total floor area of trade centers has more than tripled and gross merchant sales has more than quintupled. The following table sets forth key performance metrics of the trade centers in China that had annual merchant sales in excess of RMB100 million for the periods indicated.

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>CAGR 08-11</u> |
|--|-------------|-------------|-------------|-------------|-----------------------|
| Number of Trade Centers | 4,567 | 4,687 | 4,940 | 5,075 | 3.6% |
| Number of Stalls (millions) | 2.8 | 3.0 | 3.2 | 3.3 | 5.6% |
| Occupancy Rate ¹ | 89.5% | 89.7% | 90.0% | 91.1% | N/A |
| Gross Floor Area (million sq.m.) ² | 212.3 | 232.3 | 248.3 | 262.3 | 7.3% |
| Average Trade Center GFA (sq.m.) | 46,486 | 49,563 | 50,263 | 51,685 | 3.6% |
| Gross Annual Merchant Sales (RMB billion) | 5,245.8 | 5,796.4 | 7,270.3 | 8,201.7 | 16.1% |
| – Wholesale trade | 4,312.0 | 4,830.8 | 6,095.5 | 6,939.1 | 17.2% |
| – Retail Sales | 933.8 | 965.6 | 1,174.9 | 1,262.6 | 10.6% |
| Average Trade Center Merchant Sales (RMB million) | 1,149 | 1,237 | 1,472 | 1,616 | 12.0% |

Sources: Statistical Yearbook of China Commodity Exchange Market

- 1 Occupancy Rate is obtained by dividing the number of non-vacant stalls at year end by the total number of stalls at year end.
- 2 Gross Floor Area refers to the aggregate area of stalls (including area for storage or warehouse purposes) within a trade center.

As seen from the table above, between 2008 and 2011, gross annual merchant sales increased at a CAGR of 16.1%. In addition, larger trade centers have formed over time, as evidenced by gross floor area growing faster than the total number of trade centers.

Over the past several years, China's growing demand for consumer durables and non-durables, as well as construction materials and other industrial products, has supported the growth of the trade center industry.

INDUSTRY OVERVIEW

Trade Center Characteristics and Classification

According to the National Statistics Bureau of China, there were over 80,000 trade centers in China at the end of 2011. The trade center industry in China is highly fragmented in terms of types and sizes of trade centers. Trade centers can be categorized as “integrated”² or “specialized” depending on the types of products sold. Many trade centers are small in scale and specialize in the sale of only a single type of goods such as agricultural products, textiles, hardware, building materials and ceramics.

Categorization of trade centers based on products sold

The 2012 Statistical Yearbook of China’s Commodity Exchange Markets makes a distinction between “integrated” and “specialized” trade centers. Specialized trade centers accounted for 73.0% and 80.4% of the market in terms of total number of trade centers and total annual merchant sales, respectively, in 2011. During 2008 to 2011, the total annual merchant sales in integrated and specialized trade centers experienced similar CAGRs of 16.2% and 16.0%, respectively.

The following table sets forth the sales performance of trade centers by type and by selected product group from 2008 to 2011.

| | 2008 | 2009 | 2010 | 2011 | CAGR 08-11 |
|---|--|---------|---------|---------|---------------|
| | (in RMB billion, except for number of trade centers) | | | | |
| No. of Integrated Trade Centers | 1,248 | 1,280 | 1,341 | 1,368 | 3.1% |
| Total Annual Merchant Sales | 1,025.5 | 1,174.1 | 1,479.4 | 1,610.3 | 16.2% |
| No. of Specialized Trade Centers | 3,319 | 3,407 | 3,599 | 3,707 | 3.8% |
| Total Annual Merchant Sales | 4,220.3 | 4,622.3 | 5,790.9 | 6,591.4 | 16.0% |
| Breakdown of merchant sales by types of goods sold: | | | | | |
| Building Materials | 141.1 | 154.9 | 175.6 | 152.9 | N/A |
| Food, Beverage, Tobacco and Liquor | 119.7 | 118.4 | 132.2 | 150.4 | N/A |
| Textiles, Clothing, and Shoes | 772.7 | 852.5 | 926.3 | 1,079.7 | 11.8% |
| Articles for Daily Use and Cultural Goods | 77.4 | 86.9 | 117.0 | 119.1 | 15.4% |
| Consumer Electronics, Communication Equipment, and Other Electrical Equipment | 87.5 | 101.2 | 119.0 | 128.1 | 13.5% |
| Furniture, Hardware, and Other Home Decorating Materials | 250.0 | 310.9 | 396.1 | 450.0 | 21.6% |
| Automotive Parts | 57.0 | 68.5 | 77.3 | 89.7 | 16.3% |
| Other Merchant Sales | 2,714.9 | 2,929.0 | 3,847.4 | 4,421.5 | 17.7% |

Source: Statistical Yearbook of China Commodity Market Exchange

² Integrated trade centers are trade centers where different categories of products (industrial, agricultural and consumer) are sold. Specialized trade centers are categorized according to the twelve product groups classified by the National Bureau of Statistics or, in case more than one product group is sold, where 60% or more of total merchant sales comes from a particular product group.

INDUSTRY OVERVIEW

Categorization of trade centers based on GFA

Trade centers can be divided into small-, medium- and large-scale based on their total GFA. Savills defines small-scale trade centers as those trade centers that are smaller than 50,000 sq.m. in terms of total GFA. Medium-scale trade centers are smaller than 400,000 sq.m. but larger than 50,000 sq.m. Large-scale trade centers have total GFA greater than 400,000 sq.m.

According to statistics from the National Statistics Bureau, the average GFA of integrated trade centers in the PRC with annual sales exceeding RMB100 million (“Major Trade Centers”) was 51,685 sq.m. in 2011. According to Savills, there were 5,075 Major Trade Centers in 2011, a small percentage of which had GFAs of over 400,000 sq.m. As advised by Savills, among the top 100 Major Trade Centers, there were 42 consumer product-oriented trade centers, 7 trade centers focused on industrial materials and equipment, and the remaining 51 were focused on agricultural products. The GFAs of the 42 consumer product-oriented Major Trade Centers ranged from 42,000 sq.m. to 4,700,000 sq.m., and the average GFA of these trade centers was 460,531 sq.m. (or 319,341 sq.m. if three trade centers with GFAs over 1,000,000 sq.m. are excluded from such average GFA calculation).

Competitive Landscape

The trade center industry is highly competitive and fragmented. The majority of trade center developers are local players with limited operating scale and track records, reflecting the unique historical development of the trade center industry in China. The earliest developers and operators who entered this market in China were predominately entities affiliated with local governments. They mostly focused on developing a limited number of projects, mostly small in scale, in the local region. Over time, these markets gradually formed market clusters that subsequently fell under the administration, and sometimes the operation, of local governments. However, operators of these trade centers generally do not build new trade centers in additional cities or different regions. As a result, very few developers in the trade center development industry in China have either regional or national reach. Currently there are a small number of established trade center developers that build multiple large-scale trade centers in diverse regions across China.

INDUSTRY OVERVIEW

The table below sets forth the ranking of trade center developers, as of July 31, 2013, based on the total number and uncompleted GFA of large-scale trade centers.

| Rank | Name of developer and operator | Number of large-scale integrated trade centers | Number of large-scale specialized trade centers | Total number of large-scale trade centers | Uncompleted GFA of large-scale integrated trade centers ¹ | Uncompleted GFA of large-scale specialized trade centers ¹ | Total Uncompleted GFA of large-scale trade centers ¹ |
|------|--|--|---|---|--|---|---|
| | | | | | (million sq.m.) | (million sq.m.) | (million sq.m.) |
| 1 | China South City Holdings Limited (華南城) ⁽²⁾ | 7 | – | 7 | 18.3 | – | 18.3 |
| 2 | Hydoo (毅德控股) | 6 | – | 6 | 6.7 | – | 6.7 |
| 3 | Wuzhou International (五洲國際) | – | 5 | 5 | – | 2.8 | 2.8 |
| 4 | China Metro-Rural Holdings Limited (中國新城農村控股有限公司) | 3 | – | 3 | 5.7 | – | 5.7 |
| | The Northern Investment Group Co, Ltd (北方泓泰投資集團) | 1 | 2 | 3 | 1.0 | 2.7 | 3.7 |
| | Yifeng Group (上海億豐企業集團) | 2 | 1 | 3 | 0.9 | 1.1 | 2.0 |
| | Magnate Group (美吉特集團) | – | 2 | 2 | – | 1.9 | 1.9 |
| 8 | Gaoli Group (高力集團) | – | 1 | 1 | – | 8.0 | 8.0 |
| 9 | Yun Nan Zhong Hao Real Estate (雲南中豪置業有限責任公司) | 1 | – | 1 | 4.7 | – | 4.7 |
| | Zhejiang Lecheng Group (浙江樂城集團) | 1 | – | 1 | 3.6 | – | 3.6 |
| | Zall Development Group Co., Ltd. (卓爾發展集團有限公司) | 1 | – | 1 | 2.7 | – | 2.7 |
| | Guijiahui (廣西桂嘉匯房地產集團公司) | 1 | – | 1 | 1.0 | – | 1.0 |
| | Nanxiang Wanshang (Wuhu) International Trade Mart (南翔萬商 (蕪湖)國際商貿城) | 1 | – | 1 | 0.5 | – | 0.5 |
| | Haining China Leather Market (中國海寧皮革城) | – | 1 | 1 | – | 0.3 | 0.3 |

Source: Publicly available records including offering circulars and financial reports.

- 1 Including GFA in projects that are either fully or partially under construction as of July 31, 2013, or are planned to commence construction within six months of July 31, 2013, in each case with land-use rights or regarding which we have entered into land grant contracts with PRC authorities.
- 2 Including projects that are jointly developed by more than one developer (figures are for total GFA and total number of projects and are not divided on a pro-rata basis.)

Barriers to entry are relatively high for large-scale trade centers and competition is increasingly intense in China. Developers and operators now compete on a number of factors, including among other things, brand and reputation, development expertise, product quality, occupancy rate and local commercial environment, ability to acquire quality land and obtain favorable regulatory support, funding and financing and access to international capital markets.

Regulatory Policy and Industry Trends

The PRC government plays an active role in shaping China's economic environment. In addition to a RMB4 trillion stimulus program in 2009, the PRC government launched a series of initiatives to stimulate domestic consumption especially in lower-tier cities.

INDUSTRY OVERVIEW

In March 2011, the China National People’s Congress approved a new national economic and social development strategy for the years 2011 to 2015 (the “Twelfth Five-Year Plan”). The Twelfth Five-Year Plan provides that one way to increase domestic consumption is by “actively yet steadily accelerating urbanization.”³ The focus of the government’s urbanization efforts is on small- and mid-sized cities.⁴ The government’s focus on the promotion of urbanization was first mentioned in China’s Tenth Five-Year Plan more than a decade ago and since that time, first- and second-tier cities in China have developed rapidly and contributed to the overall economic growth in China.

The PRC government has also stated its plan to promote integrated wholesale trading markets as well as large-scale trade and logistics enterprises.⁵ The Twelfth Five-Year Plan states that the government will support “wholesale markets and logistics facilities” in order to “improve the available network of services in rural areas.”⁶

In addition to being supported on the national level, trade centers have also been actively supported by a number of local governments that typically require these projects to be able to increase consumption levels, promote local commerce, upgrade city scale and infrastructure, provide job opportunities and foster sustainable economic growth. Limited by the existing commercial infrastructures within their cities that tend to be inefficient or obsolete, local governments are seeking experienced and reputable developers who can create large-scale and transformative trade center projects. As a result, it is a common practice for local governments to provide monetary support, in the form of government subsidies or otherwise, to trade center developers in China. Such government grants are provided by local governments as they exercise their spending power as part of their administrative authority to further the objectives set out in the Twelfth Five-Year Plan. In particular, the local governments are authorized to exercise their spending power and provide government grants based on the Budget Law of the PRC and its implementing rules.

In providing grants to our projects, we believe local governments generally consider, among other things, the scale of the proposed trade center projects, the potential benefits that the proposed trade center will bring to the local economies and the management team’s experience in developing trade center projects. Various trade center projects and developers, including Zall Development Group Limited and China Metro-rural Holdings Limited, have received government grants for developing trade centers in the relevant regions.

According to Savills, in addition to strong government support, other factors will likely drive the future growth of trade centers including a rise in consumer spending, the preferences of prospective unit purchasers and the growth of third- and fourth-tier cities. From 2005 to

³ See “Chapter 4: Policy Direction” in the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015). See also “Chapter 20: Active and Steady Promotion of Urbanization”

⁴ See “Section 1: Forming a strategic urbanization layout” in “Chapter 20: Active and Steady Promotion of Urbanization” in the Twelfth Five-Year Plan.

⁵ See “Section 1: Promoting the development of commercial and trading services industry” in “Chapter 16: Vigorous Development of Service Industry” in the Twelfth Five-Year Plan. This section further provides that the government would support large-scale business and logistics enterprises with “significant potential to compete globally.”

⁶ *Ibid.*

INDUSTRY OVERVIEW

2011, total consumer spending increased by 73.5% due to rising wages. This rise in consumer spending has increased the demand for the type of wholesale market space that our trade centers provide. At the same time, customer demand for large-scale trade center units has increased due to increasing regional trade and the perception that these trade centers reduce operating costs and provide greater business opportunities. For example, large-scale trade centers often contain warehouses or other logistics facilities that can streamline customers' business operations. In addition, large-scale trade centers are more likely than small-scale trade centers to offer units for sale, rather than for rent, which allows merchants to enjoy the asset appreciation of their purchased properties. Finally, third- and fourth-tier cities present the most upside for potential returns due to the relatively faster economic growth in those cities and the potential to attract customers from not only the city in which a trade center is built, but from smaller satellite cities in the region, according to Savills.

Our Directors believe that the trade center industry will benefit from the above-mentioned factors, including strong government support, a rise in consumer spending and customer preferences for our products. They expect that these factors will have a significant impact in third- and fourth-tier cities where we focus our operations. Our Directors anticipate that the growth in the trade center market will be manifested by an increased number of trade centers that collectively generate higher gross annual merchant sales. Our Directors further believe that we are well-positioned to take advantage of these growth trends due to our competitive strengths in operating in the industry. See "Business – Our Competitive Strengths."

MARKET FOCUS

Analysis of Cities in Which We Conduct Our Business

The following information relates to the cities in which the Company is developing trade centers.

Ningxiang

Ningxiang is a county of Changsha, the capital of Hunan province. As at the end of 2012, Ningxiang had a permanent population of 1.4 million. Between 2007 and 2012, Ningxiang's nominal GDP grew at a CAGR of 23.5%, its retail sales grew at a CAGR of 14.1% and fixed asset investment grew at a CAGR of 22.4%.

INDUSTRY OVERVIEW

The following table sets forth current major trade centers and planned new projects in Ningxiang in the coming three years. Of these projects, the Ningxiang Trade Center will be the largest trade center in Ningxiang when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|--|----------------------------------|---|--------------------|--|-------------|
| Ningxiang Trade Center (寧鄉商貿物流中心) | 1,300 | 1,200 | N/A | Hydoo (毅德控股) | Integrated |
| Hunan Xiang Zhong Nan Steel Materials Logistic Center (湖南湘中南鋼材物流園) | 315 | 360 | Phase I: 2013 | Hunan Xiang Zhong Nan Steel Goods Logistics Company (湖南湘中南鋼材物流股 份有限公司) | Specialized |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

Jining

Jining is a prefecture-level city in southwestern Shandong province having a total population of 8.5 million as at the end of 2012. Jining is one of the three major industrial bases in Shandong province. Between 2007 and 2012, Jining's nominal GDP grew at a CAGR of 10.7%, its retail sales grew at a CAGR of 14.0% and fixed asset investment grew at a CAGR of 19.2%.

The following table sets forth current major trade centers and planned new projects in Jining in the coming three years. Of these projects, the Jining Trade Center will be the largest trade center in Jining when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion/ Expected Completion Date | Developer | Type |
|---|----------------------------------|---|---|---|-------------|
| Jining Trade Center (濟寧商貿物流中心) | 2,000 | 3,000 | N/A | Hydoo (毅德控股) | Integrated |
| Mei Heng Guo Ji Qi Che Bo Lan Cheng (美恒國際汽車博覽城) | 1,240 | 2,160 | 2012 | Shan Dong Mei Heng Group (山東美恒集團) | Specialized |
| Yifeng Time Square (濟寧億豐時代廣場) | 200 | 600 | 2012 | Shanghai Yifeng Group (上海億豐集團) | Specialized |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

INDUSTRY OVERVIEW

Yulin

Yulin is a prefectural-level and the fourth largest city in Guangxi, located along the border with Guangdong province. According to the Yulin Statistical Bureau, at the end of 2012 the city had a permanent population of 5.6 million. Between 2007 and 2012, Yulin's nominal GDP grew at a CAGR of 14.2%, its retail sales grew at a CAGR of 15.5% and fixed asset investment grew at a CAGR of 27.7%.

The following table sets forth current major trade centers and planned new projects in Yulin in the coming three years. Of these projects, the Yulin Trade Center will be the largest trade center in Yulin when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|--|----------------------------------|---|--------------------|--|-------------|
| Yulin Trade Center (玉林商貿物流中心) | 1,100 | 2,000 | N/A | Hydoo (毅德控股) | Integrated |
| Yin Feng International Traditional Chinese Medicine Port (銀豐國際中藥港) | 680 | 738 | 2008 | Yin Feng Group (銀豐集團) | Specialized |
| Hong Jin Nong Fu Shi Pin Pi Fa Shi Chang (宏進農副產品批發市場) | 465 | 420 | 2010 | Wang On Group and Yulin Shi Chang Kai Fa Fu Wu Zhong Xin (香港宏安集團及玉林市 市場開發服務中心) | Specialized |
| Yu Lin Shi Gong Ye Pin Shi Chang (玉林市工業品市場) | 107 | 200 | 1995 | Gang Gao Tou Zi (港高投資) | Specialized |
| Guangxi Yulin Fumian Area International Clothing Market (廣西玉林福綿區國際服裝 貿易城) | 213 | 180 | 2013 | Yulin Tan Lin Company (玉林天森置業有限公司) | Specialized |
| Yu Lin Jian Cai Mo Tuo Shi Chang (玉林建材摩托市場) | 100 | 29 | 1995 | Yulin Kai Fa Fu Wu Zhong Xin (玉林市開發服務中心) | Specialized |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

Mianyang

Mianyang is a prefecture-level city located in the northern part of Sichuan province with a population of 4.6 million as at the end of 2012. Between 2007 and 2012, Mianyang's nominal GDP grew at a CAGR of 12.2%, its retail sales grew at a CAGR of 21.5% and fixed asset investment grew at a CAGR of 26.2%.

INDUSTRY OVERVIEW

The following table sets forth current major trade centers and planned new projects in Mianyang in the coming three years. Of these projects, the Mianyang Trade Center will be the largest trade center in Mianyang when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|--|----------------------------------|---|--------------------|---|-------------|
| Mianyang Trade Center (綿陽商貿物流中心) | 900 | 1,000 | N/A | Hydoo (毅德控股) | Integrated |
| Zhongrunhengda International Commercial Mall (中潤恒大國際商貿城) | 136 | 330 | Completed | Sichuan Zhong Run Yuan Bang Investment Co. (四川中潤遠邦投資) | Integrated |
| Mianzhou Mei Jia Ju Zhuang Shi Cheng (綿洲美家居裝飾城) | 27 | 47 | Completed | Mian Zhou Mei (綿洲美) | Specialized |
| Hua Yuan Deng Shi Cheng (花園燈飾城) | 7 | 10 | 2005 | Tiantai Group (天泰集團) | Specialized |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

Ganzhou

Ganzhou is a prefecture-level and the second largest city in Jiangxi province with a registered population of approximately 9.3 million as at the end of 2012. Between 2007 and 2012, Ganzhou's nominal GDP grew at a CAGR of 13.6%, its retail sales grew at a CAGR of 14.7% and fixed asset investment grew at a CAGR of 26.7%.

The following table sets forth current major trade centers and planned new projects in Ganzhou in the coming three years. Of these projects, the Ganzhou Trade Center will be the largest trade center in Ganzhou when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|---------------------------------------|----------------------------------|---|--------------------|---|-------------|
| Ganzhou Trade Center (贛州商貿物流中心) | 1,475 | 3,600 | N/A | Hydoo (毅德控股) | Integrated |
| Jian Cai Da Shi Chang (建材大市場) | 173 | 150 | 2003 | Gannan Jian Cai Da Shi Chang Development Co. Ltd (贛南建材大市場開發 有限公司) | Specialized |
| Gannan Mao Yi Guang Chang (贛南貿易廣場) | 143 | 150 | 1997 | Excluded Howard Projects ² | Integrated |
| Ganzhou Shang Mao Cheng (贛州商貿城) | 50 | 90 | 2011 | Ganzhou Gan Sheng Real Estate Development Co. Ltd. (贛州贛晟房地產綜合開 發有限公司) | Integrated |

INDUSTRY OVERVIEW

Source: Savills

- 1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.
- 2 One of the Excluded Howard Projects. See “History and Corporate Structure – Our History and Development.”

Wuzhou

Bordering Guangdong province, Wuzhou is a prefecture-level city in Guangxi with a permanent population of 2.9 million as of the end of 2012. Between 2007 and 2012, Wuzhou’s nominal GDP grew at a CAGR of 17.2%, its retail sales grew at a CAGR of 14.2% and fixed asset investment grew at a CAGR of 27.6%.

The following table sets forth current major trade centers and planned new projects in Wuzhou in the coming three years. Of these projects, the Wuzhou Trade Center will be the largest trade center in Wuzhou when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|--|----------------------------------|---|--------------------|--|-------------|
| Wuzhou Trade Center (梧州商貿物流中心) | 1,300 | 2,000 | N/A | Hydoo (毅德控股) | Integrated |
| Zhong Heng Guo Ji Yi Yao Shang Mao Wu Liu Yuan (中恒國際醫藥商貿物流產 業園) | 1,300 | 2,000 | 2013 | Guang Xi Wu Zhou Zhong Heng Group (中恒集團) | Specialized |
| Liang Guang Wholesale Market (兩廣批發市場) | 125 | 130 | 2000 | Guang Xi Bei Hai Qi Zhu Real Estate Development Co. Ltd (廣西梧州兩廣批發市場 房地產有限公司) | Integrated |
| Wu Zhou Bao Shi Cheng (梧州寶石城) | 22 | 40 | 2009 | Wu Zhou Bao Shi Yuan Development Co. Ltd (梧州寶石園建設開發 有限公司) | Specialized |

Source: Savills

- 1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

INDUSTRY OVERVIEW

Heze

Heze is a prefecture-level city in southwestern Shandong province. According to the Heze Statistic Bureau, the total population in Heze was 8.3 million as of 2012. Between 2007 and 2012, Heze's nominal GDP grew at a CAGR of 17.3%, its retail sales grew at a CAGR of 18.2% and fixed asset investment grew from RMB52.9 billion to RMB68.7 billion.

The following table sets forth current major trade centers and planned new projects in Heze in the coming three years. Of these projects, the Heze Trade Center will be the largest trade center in Heze when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|---|---------------------------------|---|----------------------|---|-------------|
| Heze Trade Center (荷澤商貿物流中心) | 8,000 | 12,000 | N/A | Hydoo (毅德控股) | Integrated |
| Bandung International Wholesale Trade Center City (萬隆國際批發城) | 800 | 1,000 | N/A | San Liu Jiu Property Company 三六九置業有限公司 | Integrated |
| Yifeng Time Square (億豐時代廣場) | 533 | 580 | N/A | Shanghai Yifeng Group (上海億豐集團) | Integrated |
| Heze Yiwu Small Commodity Market (荷澤義烏小商品批發市場) | 320 | 580 | N/A | He Ze Zhong Ke Real Estate Development Co. Ltd (荷澤中科房地產 有限公司) | Integrated |
| Fu Nian Qi Lu Automobile City (富年齊魯汽配城) | 200 | 260 | Phase 1: 2013 N/A | Fu Nian Group (富年集團) | Specialized |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

Xingning

Xingning is a county of the prefecture level city of Meizhou in Guangdong province. As at the end of 2012, the city had a total registered population of 1.18 million people. Between 2007 and 2012, Xingning's nominal GDP grew at a CAGR of 10.9%, its retail sales grew at a CAGR of 11.6% and fixed asset investment grew from 0.7 billion to 3.0 billion.

INDUSTRY OVERVIEW

The following table sets forth current major trade centers and planned new projects in Xingning in the coming three years. Of these projects, the Xingning Trade Center will be the largest trade center in Xingning when completed, according to Savills.

| Trade Center | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|--|----------------------------------|---|--------------------|---|-------------|
| Xingning Trade Center (興寧商貿物流中心) | 1,300 | 2,000 | N/A | Hydoo (毅德控股) | Integrated |
| Xingning Commercial City (興寧商業城) | 120 | 330 | 1998 | Xingning Hong Xing Property Development Company (興寧市鴻興房地產開發 有限公司) | Integrated |
| Xingning Dong Feng Market (興寧市東風市場) | 13 | 40 | 1994 | Shenzhen Guihe Investment Co., Ltd. (深圳市貴和投資集團 有限公司) | Specialized |
| Dong Yue Gong Market (東嶽宮市場) | 5 | 24 | 1988 | Xingning Government (興寧市政府) | Specialized |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

Lanzhou

Lanzhou is the capital and largest city of Gansu province. As at the end of 2012, the city had a registered population of 3.2 million. Between 2007 and 2012, Lanzhou's nominal GDP grew at a CAGR of 22.7%, its retail sales grew at a CAGR of 14.2% and fixed asset investment grew at a CAGR of 49.1%.

The following table sets forth current major trade centers and planned new projects in Lanzhou in the coming three years. Of these projects, the Lanzhou Trade Center will be the largest trade center in Lanzhou when completed, according to Savills.

| Trade Centre | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|---|----------------------------------|---|--------------------|--|-------------|
| Lanzhou Trade Center (蘭州商貿物流中心) | 4,000 | 6,000 | N/A | Hydoo (毅德控股) | Integrated |
| Beilongkou International Decorative Building Materials City (北龍口國際建材裝飾城) | 267 | 2,000 | 2013 | Gansu Dingkun Real Estate Development Co., Ltd. (甘肅鼎乾房地產開發有 限公司) | Specialized |
| Lanzhou Easten Lanzhou Integrated Wholesale Market (蘭州東部綜合批發市場) | 600 | 440 | 2009 | Lanzhou Chengguan District Gongxingdun County Wulipu Village Committee (蘭州城關區拱星墩鄉五 裡鋪村) | Integrated |

INDUSTRY OVERVIEW

| Trade Centre | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|--|----------------------------------|---|--------------------|---------------------------------------|-------------|
| Lanzhou Yuexing Home Furnishing Plaza (蘭州月星家居廣場) | 70 | 100 | 2007 | Yuexing Group Co., Ltd. (月星集團有限公司) | Specialized |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

Yantai

Yantai is a prefecture-level city in northeastern Shandong province. As at the end of 2012, the city had a total registered population of 6.5 million people. Between 2007 and 2012, Yantai's nominal GDP grew at a CAGR of 16.7%, its retail sales grew at a CAGR of 24.8% and fixed asset investment grew at a CAGR of 17.9%.

The following table sets forth current major trade centers and planned new projects in Yantai in the coming three years. Of these projects, the Yantai Trade Center will be the largest trade center in Yantai when completed, according to Savills.

| Trade Centre | Site Area (thousand sq.m.) | GFA ¹ (thousand sq.m.) | Completion Date | Developer | Type |
|--|----------------------------------|---|-----------------------|--|---------------------|
| Yantai Yide International Trade City (煙台商貿物流中心) | 1,300 | 2,400 | N/A | Hydoo (毅德控股) | Integrated |
| Yantai Sanzahn Commodity Market (煙台三站小商品批發市場) | 35 | 60 | 1996 | 山東三站股份有限公司 Shandong Sanhan Inc. | wholesale market |
| Modern fruit, vegetable and aquatic products wholesale market (現代果蔬水產品批發市場) | 40 | 19 | Under construction | Yantai Modern Fruit, Vegetable and Aquatic products Co., Ltd. 煙台現代果蔬水產品 有限公司 | wholesale market |
| Aucma Yantai Mall (澳柯瑪煙台商貿中心) | 30 | 40 | 2005 | Aucma (Yantai) Co., Ltd. 澳柯瑪(煙台)實業有限 公司 | trade centre |
| Yantai Haigang Jiabu Market (煙台海港家飾材料市場) | 80 | 80 | 2001 | Yantai Port Property Management Co., Ltd. 海港物業管理有限公司 | wholesale market |

Source: Savills

1 Includes the portion completed, under construction, future development and the portion covered by any relevant memorandum of understanding with the relevant government agency.

INDUSTRY OVERVIEW

SAVILLS REPORT

We have commissioned Savills, an independent third party and an experienced consultant in the global real estate industry, to prepare the Savills Report which analyzes wholesale markets, commodity exchange markets, and real estate markets in China. We paid Savills a fee of RMB400,000 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.

The Savills Report also contains certain assumptions regarding changes in PRC political, regulatory or market conditions and the veracity of primary and secondary sources. In preparing the Savills Report, the assumptions were adopted based upon careful consideration of known factors. However, Savills cannot rule out the risk that any of the assumptions may be inaccurate. 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 the following 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 customers. The data obtained was then integrated with the existing data to provide a refined basis for the forecast data.
- **Quality control:** Before finalizing the report, the market specialists verified the data and forecast by cross-checking against other available data or information.

INDUSTRY OVERVIEW

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.

Savills is a global real estate services provider and its parent company, Savills plc, is listed on the London Stock Exchange. It has an international network of more than 500 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of real estate specialist advisory, management and transactional services to clients all over the world.