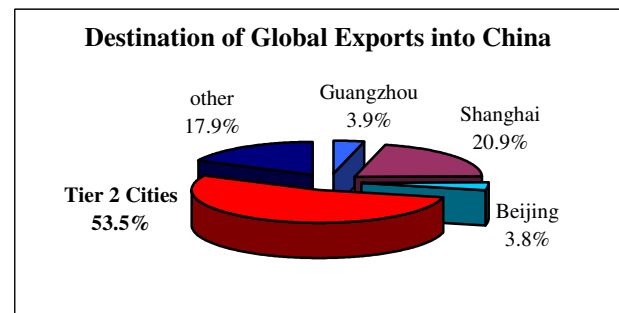


Fourteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

China's Real Economic Engine....

China's unprecedented growth and the opportunities it presents are no longer a secret to anyone in the business world. While megacities such as Beijing and Shanghai have long captured much of the spotlight, it is behind the scenes in second-tier cities where one can witness the *real* source of China's economic growth. Unlike what one might expect, the majority of China's imports are *not* ending up in Shanghai, Beijing, or Guangzhou. Rather, a select group of fourteen second-tier cities¹ account for an astonishing 53% of China's total imports, almost double the amount of the three megacities combined.

Local entrepreneurs in these emerging cities are not the only ones reaping the benefits. These cities have become importing havens and present lucrative opportunities, especially for US companies. Perhaps the critical question for American firms is not *whether* there is a second-tier city market, but *which* region is best for a particular industry or product.



Shenzhen— A true economic miracle

Located in the southern Pearl River delta just across the border from Hong Kong's New Territories, Shenzhen has been one of the fastest growing cities in the world since its opening in the late 1970s. Once a small fishing village, Shenzhen is now the busiest port in China and the largest manufacturing base in the world. Shenzhen is a major center for foreign investment and trade—the bustling city imports more goods than *any* other city in China. Shenzhen was recently ranked by the World Bank as having the second best investment climate for foreign firms and third most effective local government in all of China.

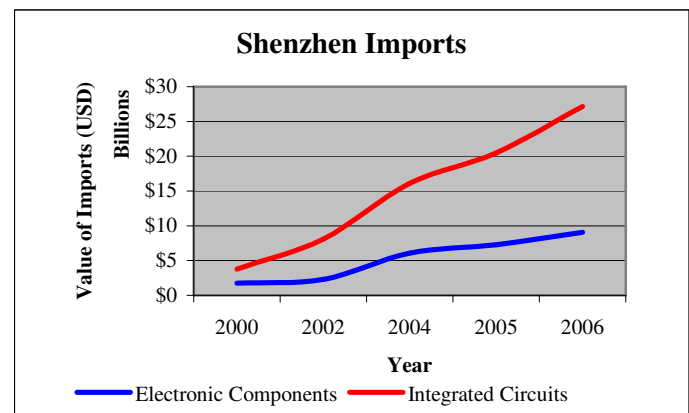
Shenzhen's top imports for foreign goods:²

Electronic Components

Shenzhen imported over USD \$9 billion worth of electrical components in 2006, over two and a half times the volume imported by Shanghai. For the last two years the city's

Shenzhen Economic Indicators

City Population: **10 Million**
 Provincial GDP: **USD 42 Billion**
 Annual Avg. Per Capita GDP: **USD 7,620**
 Import Value: **USD 119.5 Billion**
 Imports from US: **USD 4.6 Billion**



¹ Harbin, Dalian, Qingdao, Tianjin, Xian, Wuhan, Hangzhou, Ningbo, Nanjing, Chongqing, Kunming, Zhuhai, Shenzhen, and Xiamen

² Note: 2001 & 2003 data is not reflected in graphs

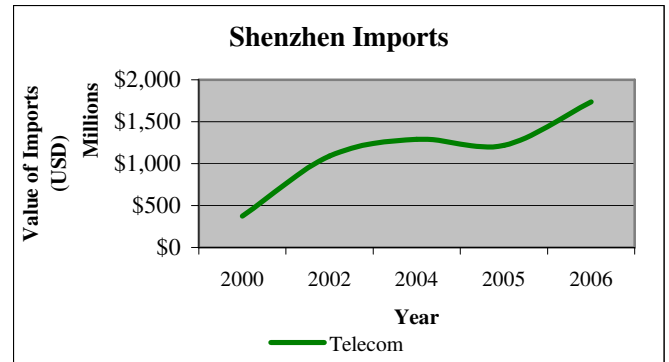
imports of electrical components increased by an average of 23% per annum.

Integrated Circuits

Shenzhen imported over USD \$27 billion worth of integrated circuits in 2006, far more than any other city in China. Moreover, Shenzhen has been increasing imports by an average of 30% per year since 2004.

Telecom

Shenzhen accounts for over 22% of all of China's telecom imports, bringing in over USD \$1.5 billion worth annually. The city's imports of telecom goods have been growing by an average of 18% a year for the last two years.



Construction Equipment

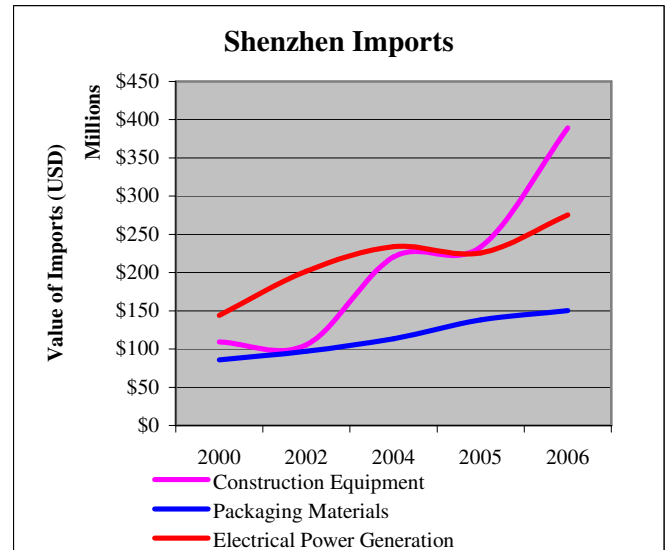
Shenzhen's rapid growth has fueled a growing demand for foreign construction equipment. Shenzhen imported over USD \$340 million worth of construction equipment in 2006, increasing its imports by an average of 40% per year over the last two years.

Electrical Power Generation

Accounting for over 10% of China's Electrical Power Generation imports, Shenzhen has increased its demand for foreign Power Generation products by an average of 9% per annum for the two years.

Packaging Materials

Shenzhen's position as China's busiest port has fueled its demand for packaging materials. Shenzhen accounts for 8% of China's packaging materials imports. Over the last two years Shenzhen's import of packaging materials increased by an average of 15% per year.



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