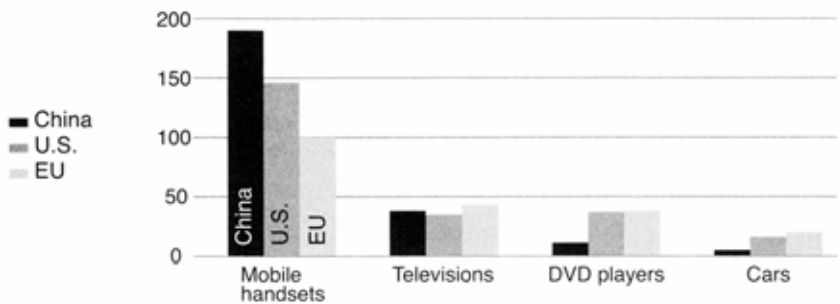


**EXHIBIT 2-1** Sales of consumer goods, millions of units, 2007

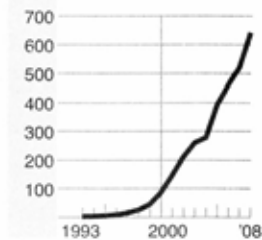


	Mobile Handsets	Televisions	DVD Players	Cars
China	190	38	11	5
US	146	35	37	16
EU	100	43	38	20

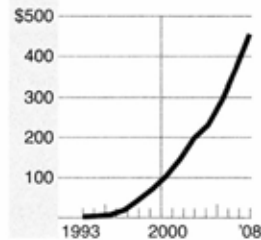
Source: Booz & Company

**EXHIBIT 2-2** Market growth for mobile phones, mortgage loans, and sedans

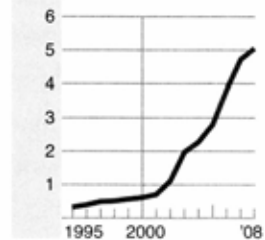
**Mobile Phone Subscribers**  
Millions



**Mortgage Loans**  
Billions

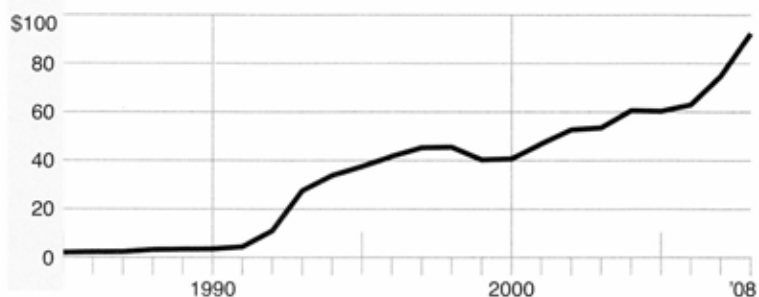


**Sedans Sold**  
Millions



Source: China Statistical Yearbook

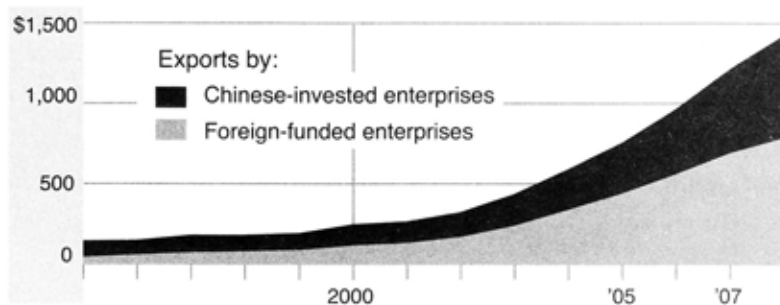
**EXHIBIT 2-3** Foreign direct investment into China, 1985–2008, \$ billions



1985	2.0	1991	4.4	1997	45.3	2003	53.5
1986	2.2	1992	11.0	1998	45.5	2004	60.6
1987	2.3	1993	27.5	1999	40.3	2005	60.3
1988	3.2	1994	33.8	2000	40.7	2006	63.0
1989	3.4	1995	37.5	2001	46.9	2007	74.8
1990	3.5	1996	41.7	2002	52.7	2008	92.4

Source: National Bureau of Statistics, Ministry of Commerce<sup>7</sup>

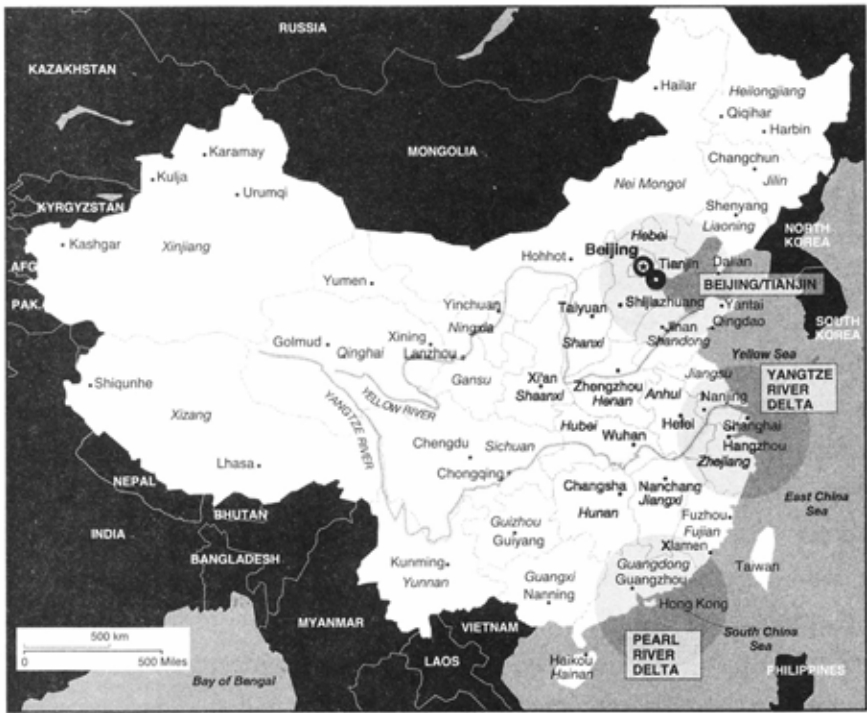
**EXHIBIT 2-4 Exports from foreign enterprises in China, 1995–2008, \$ billions**



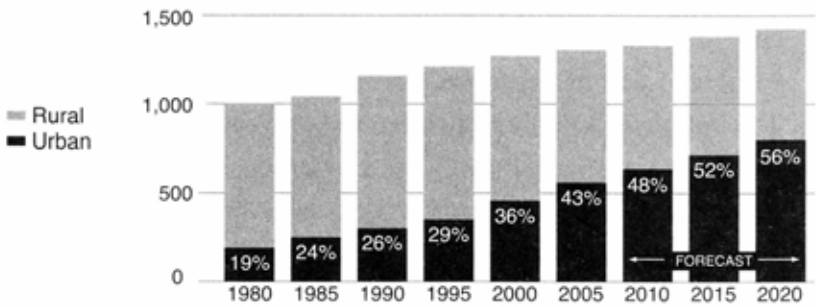
	Exports by Foreign-Funded Enterprises, \$ Billion	China's Total Exports, \$ Billion	Foreign-Funded Enterprises' Share of Total Exports, %
1995	46.9	148.8	32
1996	61.5	151.0	41
1997	74.9	182.7	41
1998	81.0	183.7	44
1999	88.6	194.9	45
2000	119.4	249.2	48
2001	133.2	266.1	50
2002	170.0	325.6	52
2003	240.3	438.2	55
2004	338.6	593.3	57
2005	444.2	762.0	58
2006	563.8	968.9	58
2007	695.4	1,217.8	57
2008	790.6	1,428.5	55

Source: National Bureau of Statistics<sup>9</sup>

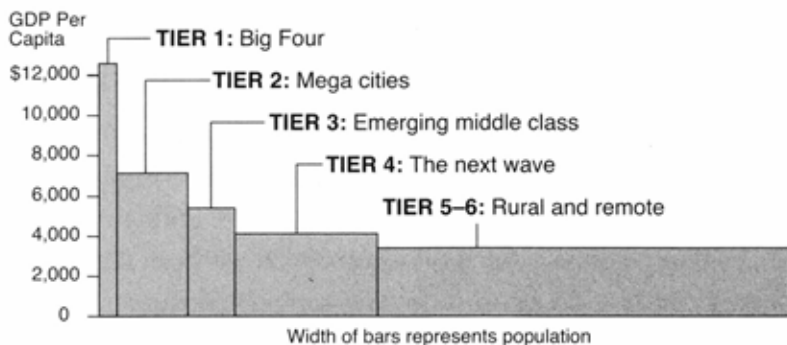
**EXHIBIT 2-5** The three major consumer regions



**EXHIBIT 2-6** China's urban population, 1980–2020, millions

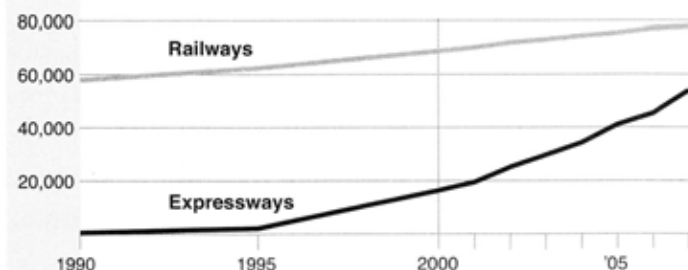


### EXHIBIT 2-7 Socioeconomic levels of city tiers



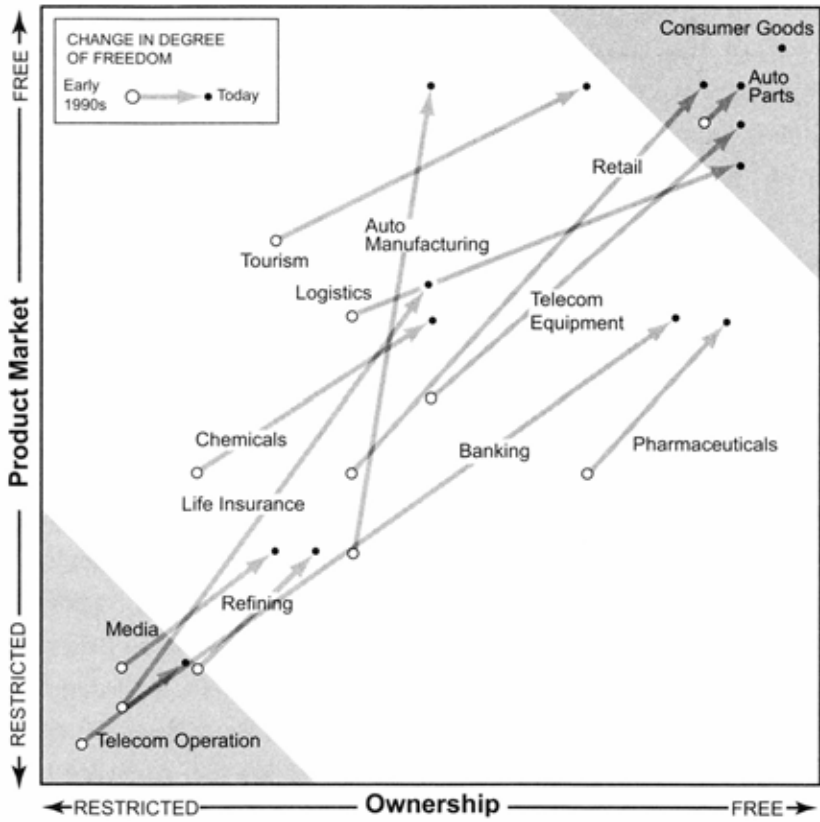
Source: *China Statistical Yearbook*, Literature Research, Booz & Company Analysis

### EXHIBIT 2-8 China's growing transport routes, km

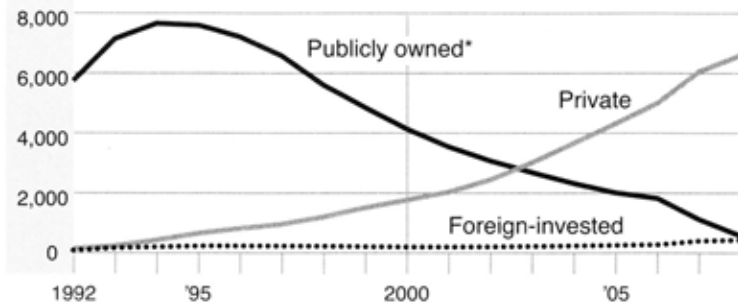


Source: National Bureau of Statistics<sup>14</sup>

**EXHIBIT 3-1** China's product market freedom matrix



**EXHIBIT 3-2** Enterprises by ownership category, \$ thousands



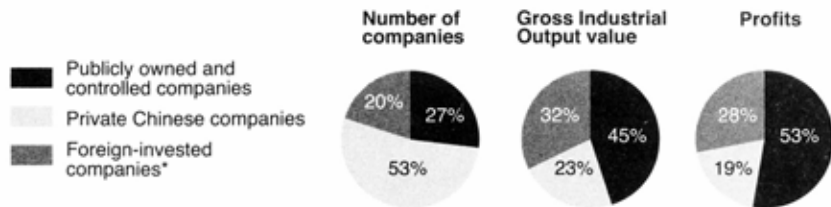
	Publicly owned*	Private	Foreign
1992	5,706	140	84
1993	7,109	238	168
1994	7,623	432	206
1995	7,557	655	234
1996	7,176	819	240
1997	6,548	961	236
1998	5,572	1,201	228
1999	4,822	1,509	212
2000	4,119	1,762	203
2001	3,527	2,029	202
2002	3,059	2,435	208
2003	2,676	3,006	226
2004	2,310	3,651	242
2005	2,001	4,301	260
2006	1,812	4,979	275
2007	1,120	6,030	406
2008	569	6,574	435

\*Including both state- and collectively owned

Source: State Administration of Industry and Commerce<sup>1</sup>

### EXHIBIT 3-3 China's industrial companies, 2007

For all companies with an industrial output value of Rmb5 million or over



#### 1. Number of companies

Publicly owned and controlled companies	91,000 (27%)
Private Chinese companies	177,000 (53%)
Foreign companies*	67,500 (20%)

#### 2. Gross industrial output value, \$ trillion

Publicly owned and controlled companies	2.68 (45%)
Private Chinese companies	1.38 (23%)
Foreign companies*	1.88 (32%)

#### 3. Profits, \$ billion

Publicly owned and controlled companies	213 (53%)
Private Chinese companies	74 (19%)
Foreign companies*	111 (28%)

\*Including Hong Kong, Taiwan, and Macau companies

Source: National Bureau of Statistics

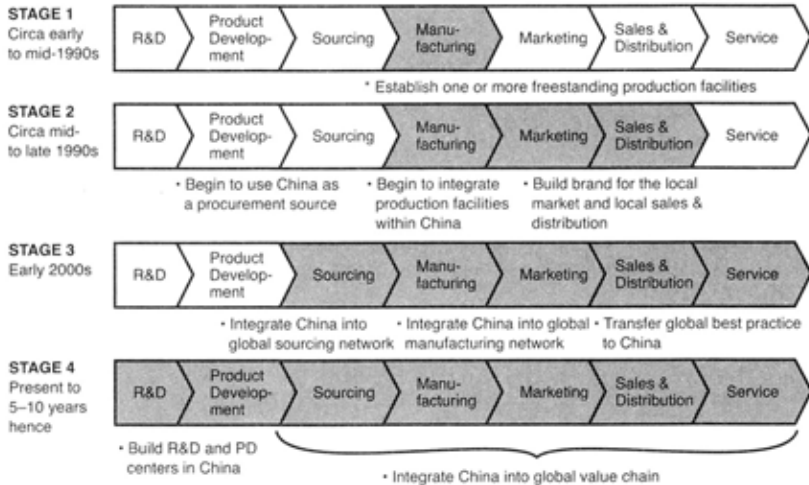


**EXHIBIT 3-4** Chinese companies in *Fortune's* Global 500, 2008  
Revenues (in millions of U.S. dollars)

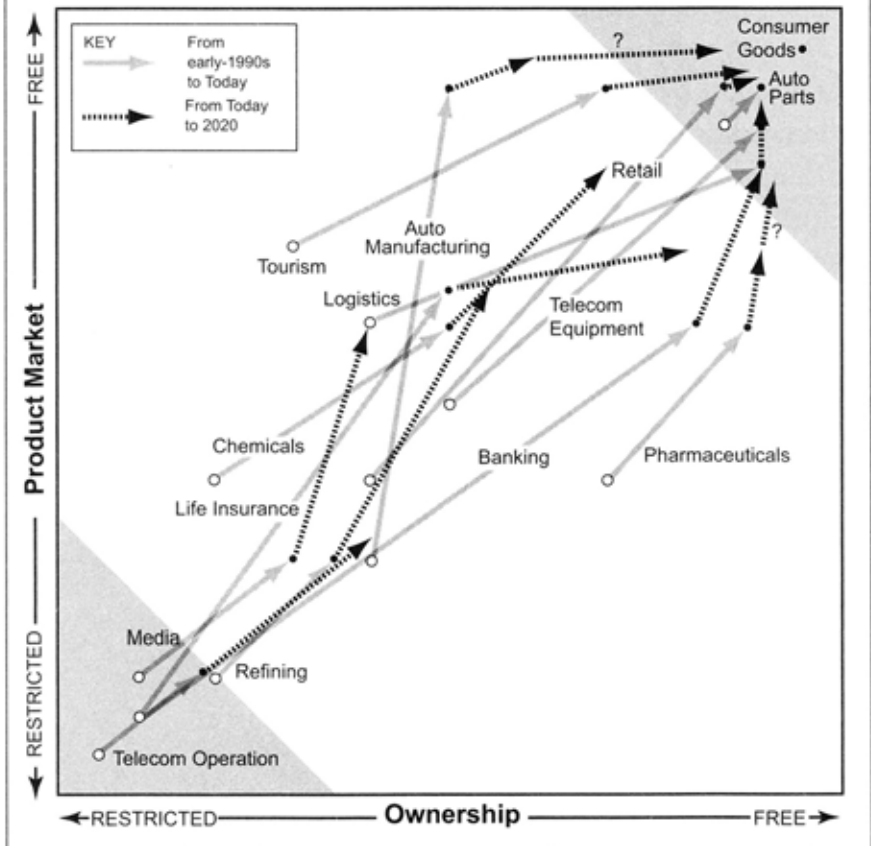
1. China Petroleum & Chemical Corp. (Sinopec)	\$207.8
2. China National Petroleum Corp. (PetroChina)	181.1
3. State Grid	164.1
4. Industrial & Commercial Bank of China	70.6
5. China Mobile Communications	65.0
6. China Construction Bank	58.0
7. China Life Insurance	54.5
8. Bank of China	51.3
9. Agricultural Bank of China	48.1
10. Sinochem	44.5
11. China Southern Power Grid	41.1
12. Baosteel Group	35.5
13. China Railway Group	33.8
14. China Railway Construction	32.5
15. China Telecom	31.8
16. China State Construction Engineering	29.8
17. China National Offshore Oil	38.0
18. China Ocean Shipping Company (COSCO)	27.4
19. China Minmetals	26.7
20. China National Cereals, Oils & Foodstuffs Corp. (COFCO)	26.4
21. China Communications Construction	26.0
22. Shanghai Automotive Industry Corp.	24.9
23. Sinosteel	24.2
24. Hebei Iron & Steel Group	24.0
25. China Metallurgical Group	23.8
26. China FAW Group	23.7
27. Citic Group	22.2
28. China United Telecommunications	22.0
29. China Huaneng Group	21.8
30. Aviation Industry Corp. of China	21.7
31. China South Industries Group	21.7
32. Jiangsu Shagang Group	21.0
33. Bank of Communications	18.7
34. Aluminium Corp. of China	18.6

Source: *Fortune*<sup>2</sup>

### EXHIBIT 3-5 Value-chain migration to China



**EXHIBIT 6-1** Where do your company and its industry fit?

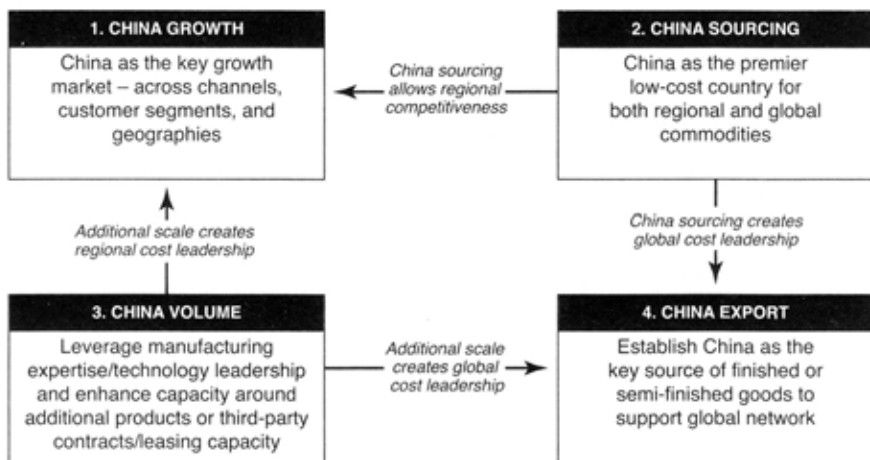


**EXHIBIT 6-2** Business models of multinational companies in China



Source: Booz & Company

**EXHIBIT 6-3** Key Elements of a China-Based One World Business



Source: Booz & Company

**EXHIBIT 7-1** The gap in business culture

<b>Chinese Business Culture</b>	<b>Multinational Business Culture</b>
Fast decision making in response to dynamic market	Greater emphasis on planning and analysis
Large use of rules of thumb such as "80/20"	More precision in planning and decision making
Widespread use of imitation, sometimes as a starting point for innovation	Compliance with intellectual property; innovation centric
Top-down hierarchies, with an emphasis on direction	Flatter reporting, with an emphasis on teamwork
Leader is often "supreme leader"	Leader is often a coach
"Rule by man," with decisions often taken arbitrarily	Clearer systems and policies
Values based on traditional hierarchical relationships; individual rights secondary to those of the organization	Values based on integrity, trust, value to clients, and return to shareholders

Source: Booz & Company