This section contains information and statistics relating to the PRC economy and the industry in which we operate. We have derived such information and data partly from publicly available government and other third-party sources, which have not been independently verified by us, the Joint Sponsors, Joint Bookrunners and Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, representatives or affiliates, or any other party involved in the Global Offering. Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside the PRC. We commissioned Frost & Sullivan, an independent market research firm, as an industry consultant to prepare the Frost & Sullivan Report. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading.

Unless otherwise specified, the market and industry information and data relating to the PRC children's product industry presented in this section and elsewhere in this prospectus has been derived from the Frost & Sullivan Report.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to conduct analysis of the PRC children's apparel market and other economic data and to prepare the Frost & Sullivan Report. We have agreed to pay a fee of approximately RMB0.9 million for the Frost & Sullivan Report, which will be paid prior to the Listing. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Frost & Sullivan is an independent consultant founded in 1961 and has over 35 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. The Frost & Sullivan Report includes both historical and forecast information on the Chinese retail industry, the children's apparel market and other economic data. Frost & Sullivan undertook both primary and secondary independent research through various resources within the PRC Children's apparel industry. Primary research involved interviewing children's apparel manufacturers, industry experts, key distributors, consumers and a market survey, which was based on face-to-face and telephone interviews with 1,834 respondents in 12 cities across China (the "Frost & Sullivan Survey"). Secondary research involved reviewing industry reports and independent research reports and data in Frost & Sullivan's own research database. In the preparation of its report, Frost & Sullivan used secondary research as an initial research platform. In-depth telephone and face-to-face interviews were conducted with various manufacturers and distributors as the key methods used by Frost & Sullivan to obtain the information and data for the preparation of its report.

All statistics are reliable and are based on information available as of the date of the Frost & Sullivan Report. Other sources of information, including government, trade associations or market place participants, may have provided some of the information on which the analysis or data is based.

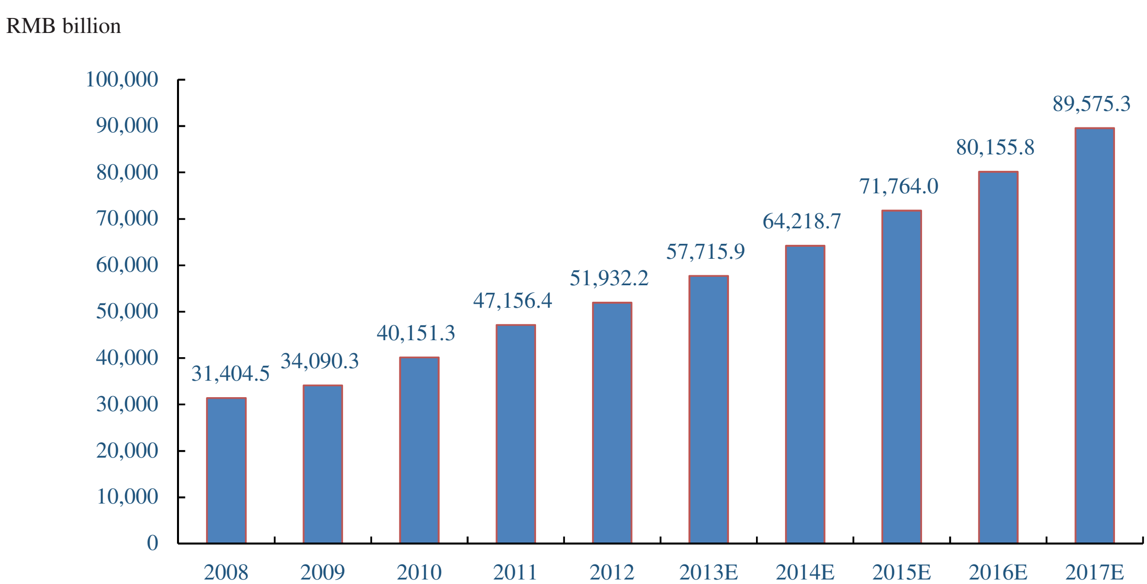
ECONOMIC GROWTH OF THE PRC ECONOMY

China's Nominal GDP Growth

China's economy has been growing rapidly since the late 1970s, when the Chinese government initiated economic reforms. According to the National Bureau of Statistics of China, China's nominal GDP grew from RMB31,404.5 billion for 2008 to RMB51,932.2 billion for 2012, representing a CAGR of approximately 13.4% during the period. According to estimates by International Monetary Fund ("IMF"), China's nominal GDP will further grow to RMB89,575.3 billion in 2017, representing a CAGR of approximately 11.5% during the period from 2012 to 2017. China's nominal GDP per capita also increased from RMB23,707.7 in 2008 to RMB38,353.5 in 2012, representing a CAGR of approximately 12.8%. According to IMF, China's per capita nominal GDP will further grow to RMB64,535.9 in 2017, representing a CAGR of approximately 11.0% during the period from 2012 to 2017.

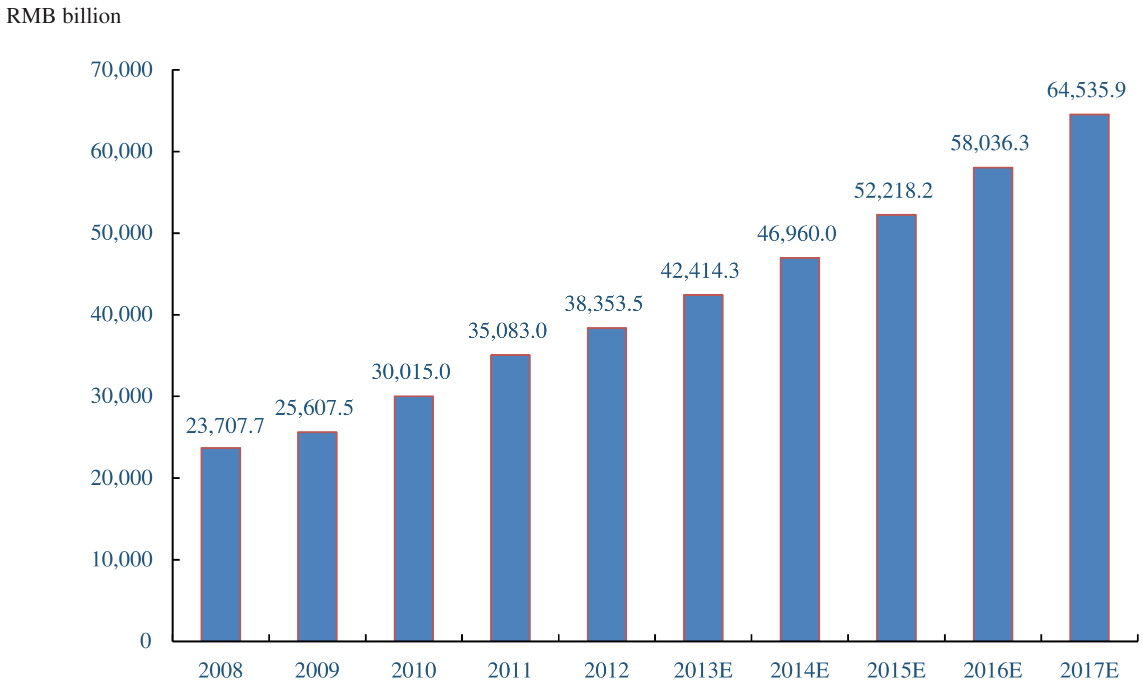
The charts below illustrate the historical and projected growth of China's nominal GDP and nominal GDP per capita from 2008 to 2017.

Nominal GDP in the PRC, 2008-2017E



Sources: Historical data: National Bureau of Statistics of China; Forecast data: International Monetary Fund

Per Capita Nominal GDP in the PRC, 2008-2017E

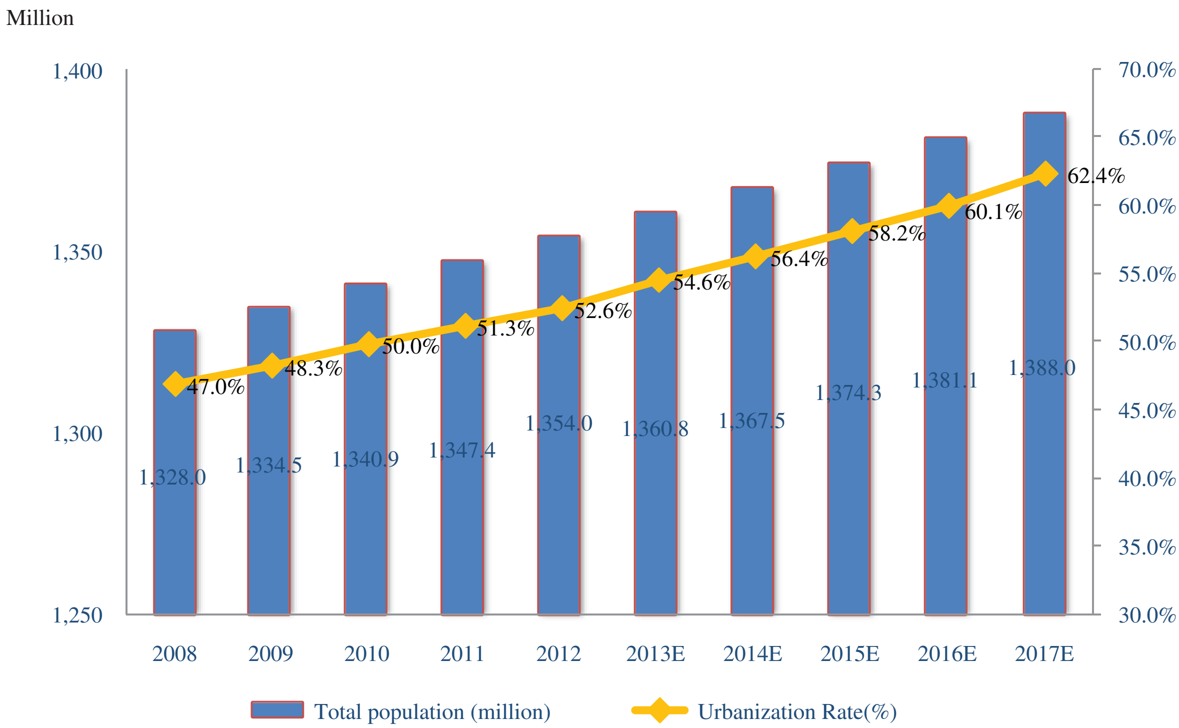


Sources: Historical data: National Bureau of Statistics of China; Forecast data: International Monetary Fund

Accelerating Urbanization Trend

Urbanization has accelerated steadily in China as a result of the rapid economic growth. Populations in cities have increased with the influx of people from rural and less developed areas in the PRC. From 2008 to 2012, China's urban population increased from approximately 624.2 million to approximately 712.2 million, and during the same period China's urbanization rate advanced from 47.0% to 52.6%. It is projected that by 2017 the total urban population in China will reach 866.1 million, with an urbanization rate of approximately 62.4%. According to Frost & Sullivan, China's urban population grew at a CAGR of approximately 3.4% for the period from 2008 to 2012, and it is expected to maintain a CAGR of approximately 4.0% from 2012 to 2017. The following chart sets forth the historical and projected urban and rural population and urbanization rate in China from 2008 to 2017.

China's Urban and Rural Population and Urbanization Rate, 2008-2017E

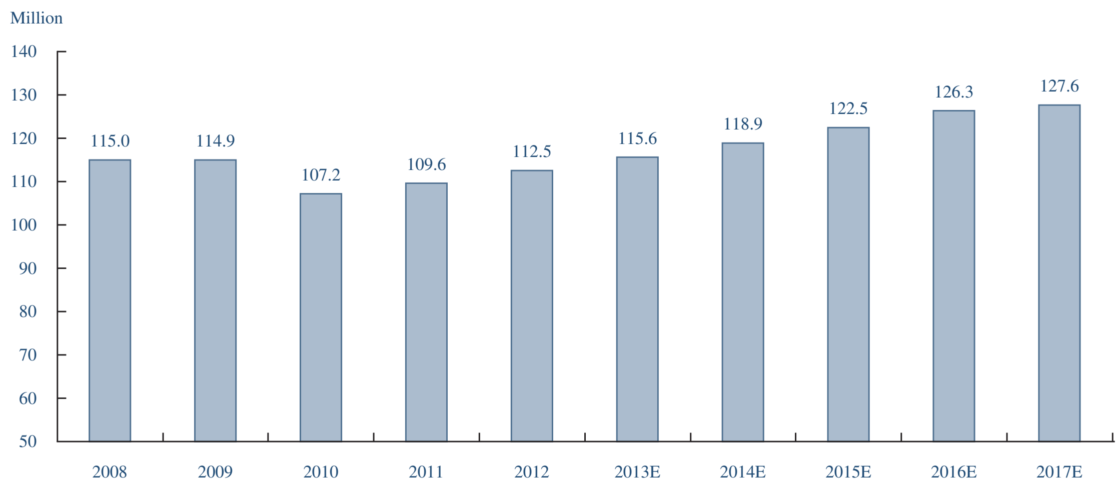


Sources: Historical data: National Bureau of Statistics of China; Forecast population of the PRC: International Monetary Fund; Forecast urban population and urbanization rate: Frost & Sullivan

Children's Population in China

According to the National Bureau of Statistics of China, China had a population of approximately 1,354.0 million in 2012, and the urban population of children aged from newborn to 14 years old represented approximately 8.3% of the total population of China in 2012. According to Frost & Sullivan, the urban population of children aged from newborn to 14 years old is projected to grow at a CAGR of 2.6% during the period from 2012 to 2017. China's population growth rate has been kept low and steady as a result of the "one child" policy population-control implemented in the 1980s. However, because married couples who are both the only child are permitted to have two children, there is expected to be an increase of new-borns in China. In addition, according to the Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning Comprehensively Deepening Reforms in the Third Plenary Session of the 18th Central Committee of the Chinese Communist Party on November 12, 2013, a new policy will permit married couples to have a second child if either of the parent is an only child. Our directors are of the view that this new policy may lead to further increase of new-borns in China and support the expansion and the development of the PRC children's apparel industry.

China Children Population, Aged 0-14, Urban, 2008-2017E



Source: Historical data: National Bureau of Statistics of China (NBSC), 2012 Statistic Bulletin; Forecast data: Frost & Sullivan

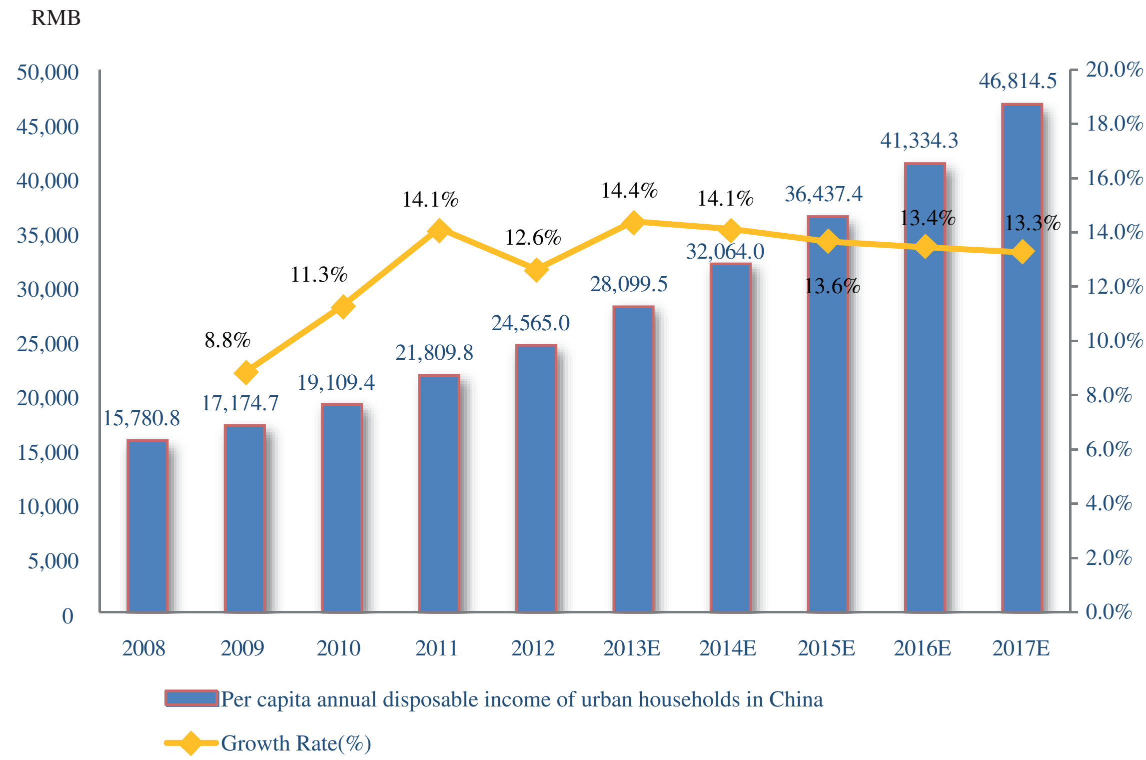
China New-born Baby Population, 2008-2017E

Source: Historical data: National Bureau of Statistics of China (NBSC), 2012 Statistic Bulletin; Forecast data: International Monetary Fund, April 2013

Urban Household Disposable Income

Rising GDP per capita has driven strong growth in per capita disposable income for PRC residents. The per capita annual disposable income of urban households in China increased from approximately RMB15,780.8 in 2008 to approximately RMB24,565.0 in 2012, representing a CAGR of approximately 11.7%. According to the Frost & Sullivan Report, the per capita annual disposable income of urban households is expected to continue to grow at a CAGR of approximately 13.8% from 2012 to 2017. The following chart sets forth the historical and projected per capita annual disposable income of urban households in the PRC from 2008 to 2017.

Per Capita Annual Disposable Income of Urban Households in the PRC, 2008-2017E



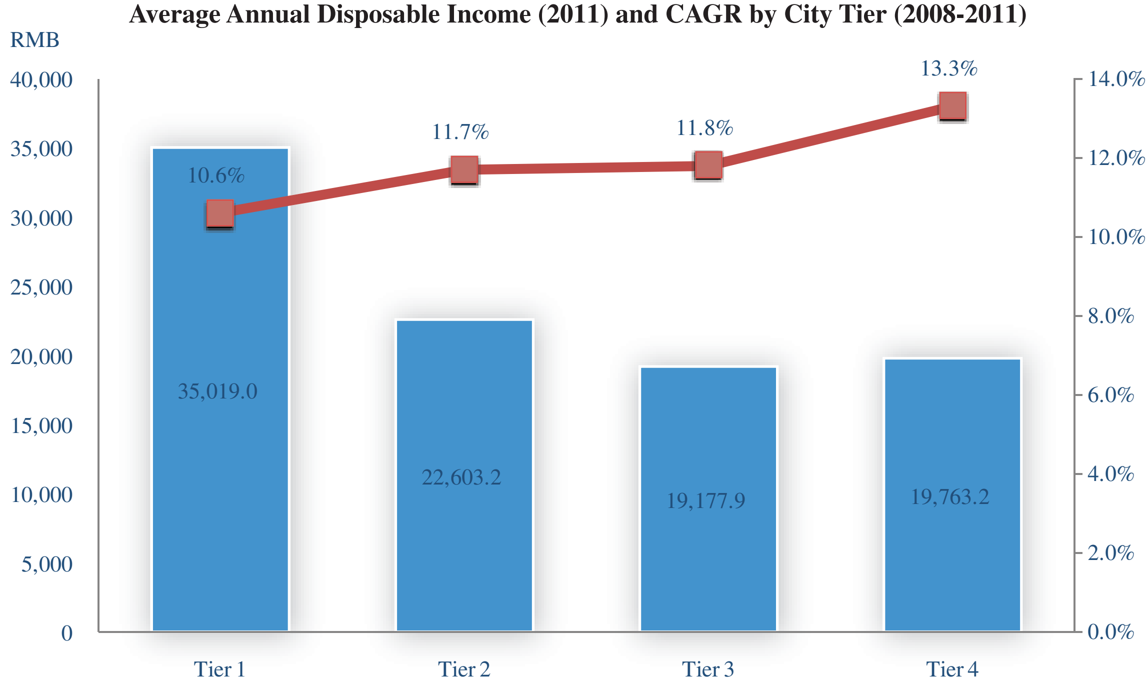
Sources: Historical data: National Bureau of Statistics of China; Forecast data: Frost & Sullivan

Third- and Fourth-tier Household Disposable Income

With the rapid growth of the PRC economy, third- and fourth-tier cities have achieved substantial economic growth in recent years, partially due to the PRC government's favorable policies for the development of small cities and rural areas. As a result, income levels of third- and fourth-tier urban households have increased and living standards have improved. In 2011, third- and fourth-tier cities showed significant growth potential in purchasing power, closing the gap with the first- and second-tier cities. According to the Frost & Sullivan Report, in 2011, average annual disposable income of third- and fourth-tier urban households reached RMB19,177.9 and RMB19,763.2, respectively, compared to RMB35,019.0 and RMB22,603.2 for first- and second-tier cities, respectively. Furthermore, the Frost & Sullivan Report indicates that children's apparel in the third- and fourth-tier cities are expected to continue to expand as a result of the ongoing urbanization and increases in disposable income and purchasing power of consumers in third- and fourth-tier cities.

The chart below illustrates the average annual disposable income in 2011 and CAGR for the 2008 to 2011 period by tiers of cities.

Average Annual Disposable Income (2011) and CAGR by City Tier (2008-2011)



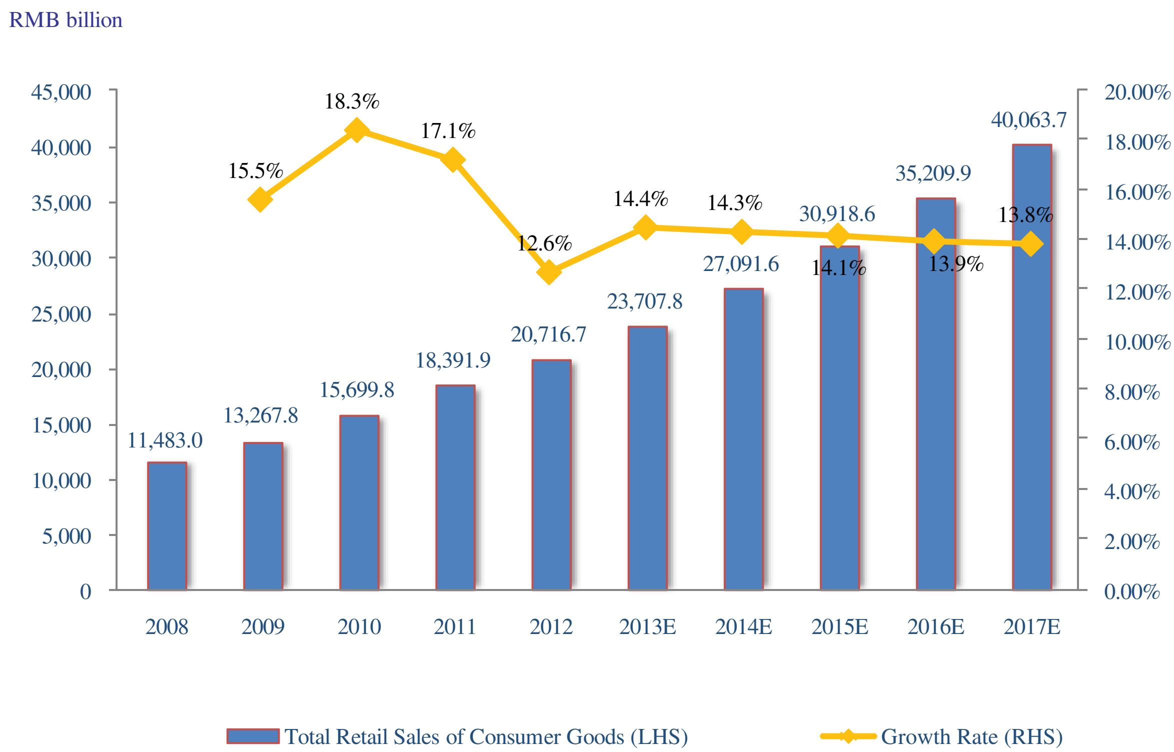
Source: Frost & Sullivan customer primary research conducted in June 2013

Growth of China's Retail Industry

The PRC market for consumer goods expanded rapidly in the past few years amid China's strong economy, continuing urbanization, increasing affluence of urban residents and growing disposable income of urban households. These factors have contributed to the development of the retail industry in the PRC and this trend, along with the large population base of China, is also anticipated to create a consumer market with attraction both in terms of size and purchasing power. Total retail sales of consumer goods in the PRC increased from RMB11,483.0 billion in 2008 to RMB20,716.7 billion in 2012, representing a CAGR of approximately 15.9%. By 2017, China's total retail sales of consumer goods is expected to reach RMB40,063.7 billion, at a CAGR of approximately 14.1% between 2012 and 2017.

The chart below illustrates the historical and expected retail sales of consumer goods in China from 2008 to 2017.

Retail Sales of Consumer Goods in China, 2008-2017E



Sources: Historical data: National Bureau of Statistics of China; Forecast data: Frost & Sullivan

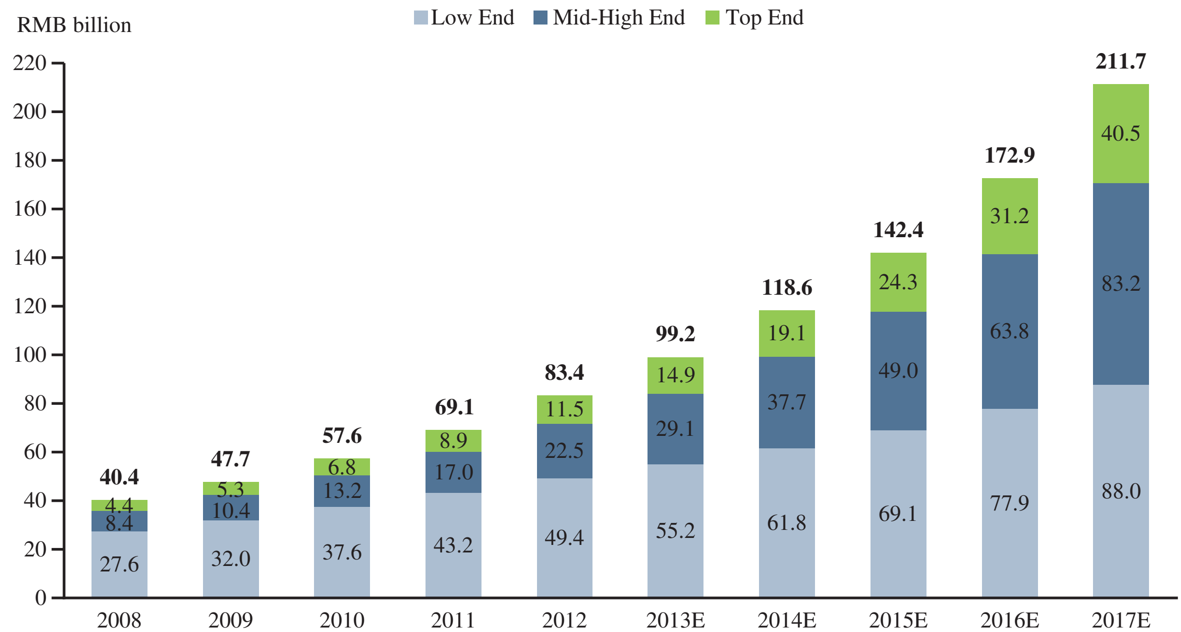
PRC CHILDREN'S APPAREL MARKET

The PRC children's apparel market expanded rapidly during 2008 and 2012, from total retail sales of RMB40.3 billion for 2008 to RMB83.3 billion for 2012, representing a CAGR of approximately 19.9%. The high growth rate is mainly due to the increased purchasing power of new parents, consumers' enhanced brand awareness and an increase in demand for mid-to-high end and top-end children's apparel. Frost & Sullivan further projects that retail sales for children's apparel in the PRC is expected to be more than doubled between 2012 and 2017 and is estimated to reach approximately RMB211.6 billion by 2017, growing at a CAGR of approximately 20.5% during the period.

The PRC children's apparel market offers a wide array of products in an expansive price range. Based on consultations conducted by Frost & Sullivan with major industry veterans and players, the PRC children's apparel market is commonly divided into three price segments, based on the average retail price of single piece winter clothes, namely: (i) top-end, priced above RMB600, (ii) mid-to-high end, priced between RMB200 to RMB600 and (iii) low-end, priced below RMB200. According to Frost & Sullivan, we have been categorized as a mid-to-high end children's apparel brand.

According to Frost & Sullivan, in 2012 the top-end, mid-to-high end and low-end segments represent 13.8%, 27.0% and 59.2% of the PRC children's apparel market in terms of retail sales, respectively. Furthermore, though the low-end segment currently occupies the largest market share, the mid-to-high end and top-end segments have grown at a faster pace than the low-end segment. It is expected that the mid-to-high end and top-end segments will make up a larger proportion of the children's apparel market in China from 2015 to 2017. According to Frost & Sullivan, the retail sales of the mid-to-high end segment had expanded at a CAGR of 28.0% from 2008 to 2012 and is further projected to grow at a CAGR of 30.0% from 2012 to 2017.

PRC Children's Apparel Market Segmentation in Terms of Retail Revenue, 2008-2017E

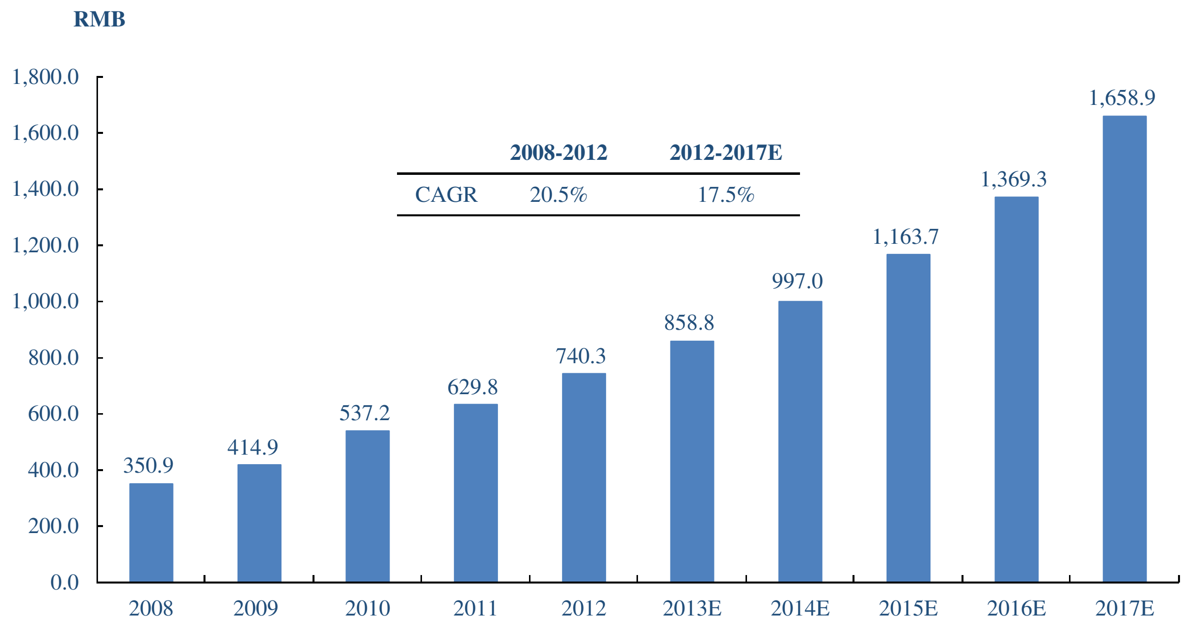


Source: Frost & Sullivan Primary Research

Growth in Consumer Spending on Children's Apparel

The per capita annual expenditure on children's apparel in the PRC has been growing steadily in recent years. It grew from RMB350.9 to RMB740.3 from 2008 to 2012, representing a CAGR of 20.5% during this 5-year period. The increase in per capita annual expenditure on children's apparel is likely a result of the growth in the per capita disposable income of urban households. As the per capita annual disposable income of urban households increase, we believe this trend in increasing spending on children's apparel will also continue in the near future. According to the Frost & Sullivan Report, per capita annual expenditure on children's apparel is projected to increase from RMB740.3 in 2012 to RMB1,658.9 in 2017, representing a CAGR of 17.5% over this 5-year period.

Annual Expenditure on Children's Apparel per Capita, 2008-2017E



Source: Frost & Sullivan Primary Research

Key Development Trends for the PRC Children's Apparel Market

Emergence of Online Sales Platforms

Online sales of children's apparel became increasingly popular in the PRC. Many consumers are attracted to the convenience and wide selection of products offered by the online sales platforms. The growing prominence of online sales is also reflected in the number of people who rely on internet sources as the primary channel of information for children's apparel. According to the Frost & Sullivan Survey, 4.3% of the respondents view internet reviews as the primary source of information for children's apparel and 5.6% deem online reviews as the most trustworthy source of such information. Frost & Sullivan projects that the proportion of children apparel sold through online channels is expected to grow significantly in the near future.

Increasing Awareness of Product Quality

In recent years, there has been an increasing awareness of children's product safety amongst the general public in China resulting from certain children's product quality scandals. This change in public sentiment led Chinese consumers to heighten their scrutiny of product quality, and with their increase in purchasing power they increasingly demanded for children's apparel that are produced with healthy and eco-friendly fabrics. According to the Frost & Sullivan Survey, Chinese consumers view product safety and fabric quality as the two most important criteria for selecting children's apparel.

Increasingly Diversified Product Offerings

In response to increasing competition in the children's apparel market, PRC children's apparel manufacturers are enriching their product portfolios to cater to specific needs of different consumer groups. This development in product segmentation based on age, geographic region and style has also created new market opportunities, to which PRC children's apparel manufacturers have responded by broadening their product offerings through refining their product design and development and production techniques.

Key Growth Drivers of Mid-to-high end Children's Apparel Market Segment

There are three key growth drivers in the PRC mid-to-high end children's apparel market: increasing purchasing power of China's urban middle class consumers and growing number of new parents, in particular parents born in the 1980s who demand for high quality children's apparel and have heightened brand awareness. Rising disposable income and rapid urbanization have contributed to a steadily growing middle class, which in turn results in stronger consumer spending. At the same time, urbanization has also affected the consumption habits of Chinese consumers as urban residents are more willing to spend on high quality children's apparel. Furthermore, parents who were born in the 1980s are becoming the largest consumer groups of children's apparel, their strong purchasing power and increasing awareness of product quality drive the growth in mid-to-high end children's apparel market. Due to the various incidents relating to product safety issues in China, the quality of products is receiving increasing public attention in recent years in China. Compared with prior generations, these new parents prefer and are more willing to purchase safe and high-quality products, though such products may be more expensive. In addition, heightened brand awareness amongst new parents is driving the increase in demand for better designed children's apparel, which in turn leads to the growth of mid-to-high end children's apparel companies that focus on building brand image.

Constraints on the Development of PRC Children's Apparel Market

Rising Production Costs

Due to increases in labor costs and raw material prices in China, production costs of children's apparel have increased significantly over the last several years. These developments threaten to lower profit margins and to increase financial pressure for the PRC children's apparel companies. As a result, some of the PRC children's apparel companies may not have the necessary resources to invest in new technologies or advance their production techniques, which in turn impedes the growth of the PRC children's apparel market.

Product Homogeneity

The PRC children's apparel industry is in its high-growth stage and is highly fragmented with many new entrants. Most of the domestic children's apparel brands have not developed the capability to offer differentiated products with a relatively clear market positioning. Without a clear brand image, consumers may find it difficult to choose between brands on parameters other than price. This in turn results in consumers' lack of brand loyalty and adversely affects the development of the PRC children's apparel market.

Lack of Design Capability

The PRC consumers are demanding for children's apparel with better designs. Integrating rapidly changing fashion styles into a distinct yet consistent brand image requires a team of creative and qualified designers. However, most of the PRC children's apparel brands lack the talent and the capability to reflect their distinct brand image in their designs, which leads to homogeneity in brand competition and constrains the development of the PRC children's apparel market.

PRC Children's Apparel Distribution Channels

There are four major retail channels in the PRC children's apparel market: street shops, department stores, shopping malls and online shops. According to the Frost & Sullivan Survey, the respondents to the survey allocated approximately 60% of their expenditure on children's apparel through street shops, department stores, shopping malls and online sales platforms in 2012.

Street shops are a major distribution channel for PRC children's apparel. It drives the rapid growth of PRC children's apparel through direct access to a large population and strong effect in promoting brand image. In lower tier cities where commercial real estate is still underdeveloped and large-scale department stores and shopping malls have yet to enter, most children's apparel brands use street shops to increase awareness for their brands, and hence street shops have become the prevalent shopping format for the local consumers. As street shops offer a high degree of flexibility in location selection and layout design, children's apparel brand owners believe that street shops can assist in building their brand image. According to the Frost & Sullivan Survey, the respondents allocated approximately 24.1% of their expenditure on children's apparel through street shops in 2012.

Department stores have long been one of the major distribution channels for children's apparel in the PRC. Although street shops are the prevalent shopping format for consumers in lower-tier cities with wide market access, department stores remain a distribution channel that has material influence on Chinese consumers' perception of a brand. In addition, shopping mall outlets are also a popular distribution channel for children's apparel as a result of the rapidly developing commercial real estate in China. Shopping malls provide more comfortable shopping environment and diversified merchandise and facilities to consumers. According to the Frost & Sullivan Survey, the respondents allocated approximately 26.5% of their expenditure on children's apparel through department stores or shopping malls in 2012.

According to the Frost & Sullivan Report, online sales platforms are also one of the key retail channels for PRC children's apparel. According to the Frost & Sullivan's Survey, the respondents allocated approximately 16.5% of their expenditure on children's apparel through online sales platforms. Furthermore, Frost & Sullivan projects that the proportion of sales through online platforms will increase at a rapid pace in the near future.

Key Barriers to Entry

Key barriers to entry in the PRC children's apparel market include: (i) distribution capability; (ii) proper market positioning; and (iii) initial investment. The ability to distribute children's apparel to wide geographic regions is needed to access customers and potential consumer groups. For new entrants, it is difficult to succeed in these aspects in a short period of time. In addition, rising brand awareness and purchasing power result in stronger consumer preference for well-branded children's apparel. New entrants need to launch well-designed children's apparel to meet the preferences of different consumer groups. Furthermore, building a brand image requires spending a substantial amount of advertising and promotion expenses during the initial stages of brand building. New entrants may not have or be able to raise the capital required to fund such activities.

COMPETITIVE LANDSCAPE OF MID-TO-HIGH END PRC CHILDREN'S APPAREL MARKET

According to Frost & Sullivan, China's mid-to-high end children's apparel industry is in its high-growth stage and the market is fragmented. In 2012, only the leading brand of the mid-to-high end children's apparel market accounted for more than 10% market share in terms of retail revenue with the remaining brands accounted for less than 5% market share. The following table sets forth the retail revenue and market share of each of the leading mid-to-high end children's apparel brands in 2012.

Leading Brands in China's Mid-to-High End Children's Apparel Industry by Retail Revenue

Ranking	Brand	Retail Revenue in 2012	Market Share
		(RMB million)	(%)
1	Balabala	3,533.4	15.7
2	redkids	959.6	4.3
3	Annil Kidswear	845.6	3.8
4	Dadida	781.7	3.5

Source: Frost & Sullivan Primary Research

Note:
According to the Frost & Sullivan Report, retail revenue of our "redkids" brand is based on the below assumptions:
i) the wholesale discount between wholesale price and suggested retail price given to our distributors is 65%
ii) the average retail discount between final selling price and the suggested retail price given by our distributors to end customers is 35%

Key Advantage of our "redkids" Brand over Competitors

According to the Frost & Sullivan Report, there are mainly two key advantages of our "redkids" brand over our competitors, including (i) strong design capability — our design and research and development team comprises designers well adapted to developing apparels that encompass international trends while meeting the preferences of domestic consumers and (ii) stable supply of quality raw materials — we have an established network of raw material suppliers who have consistently and timely provided us with quality raw materials at competitive prices.

CONSUMER BEHAVIOR

Primary Source of Information for Childrens's' Apparel Selection

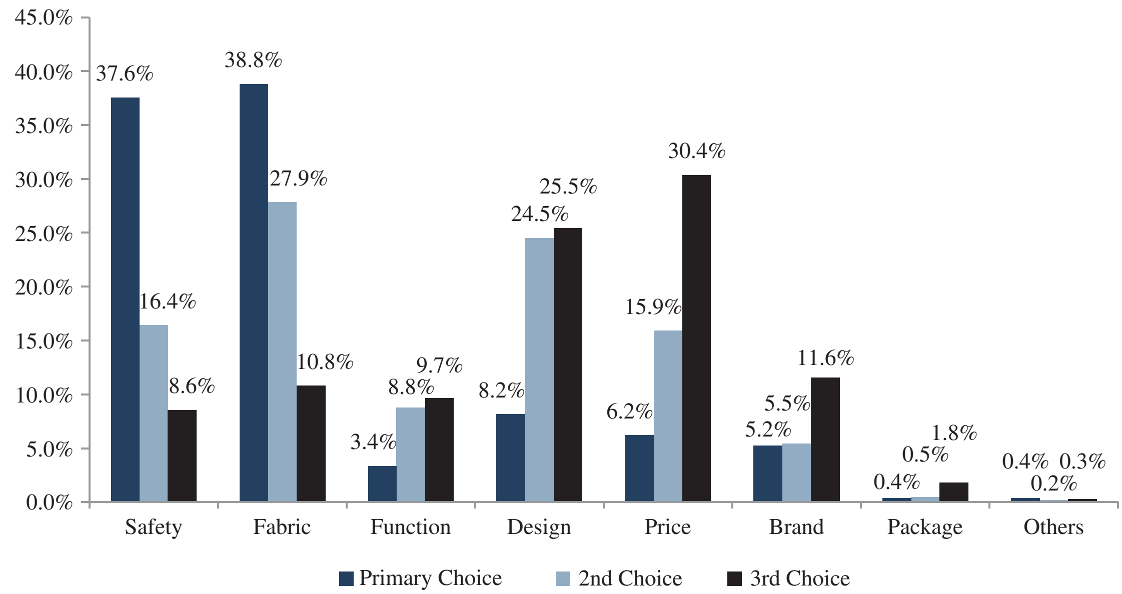
According to the Frost & Sullivan Survey, recommendations from friends or a brand's sales force and TV commercials are listed as the three main primary sources of information for PRC consumers when it comes to selecting children's apparel. Approximately 32.0% of respondents to the Frost & Sullivan Survey identify that friends' recommendation is the primary source of information for children's apparel, while another 29.8% and 19.9% of the respondents view TV commercials and recommendations from a brand's sales force, respectively, as the primary information channels they consult when they purchase children's apparel. Similarly, respondents to the Frost & Sullivan Survey also view these three sources as the most trustworthy channels for information on children's apparel. Approximately 51.0%, 17.0% and 11.6% of the respondents selected friends' recommendation, recommendation from a brand's sales force and TV commercials, respectively, as their most trusted information sources for children's apparel. Other information channels identified by respondents include internet reviews, printed media advertisements and other sources of media outlets.

Criteria for Selecting Children's Apparel

According to the Frost & Sullivan Survey, 38.8% of the respondents list fabric quality as the most important purchasing criteria, and 37.6% and 8.2% of the respondents identify product safety and design, respectively, as the primary criteria for selecting children's apparel. In addition, according to Frost & Sullivan, children's apparel consumers in China also choose children's apparel based on price, brand and functionality.

The following chart illustrates Chinese children's apparel consumers' key selection criteria:

Key Criteria for Selecting Children's Apparel in China

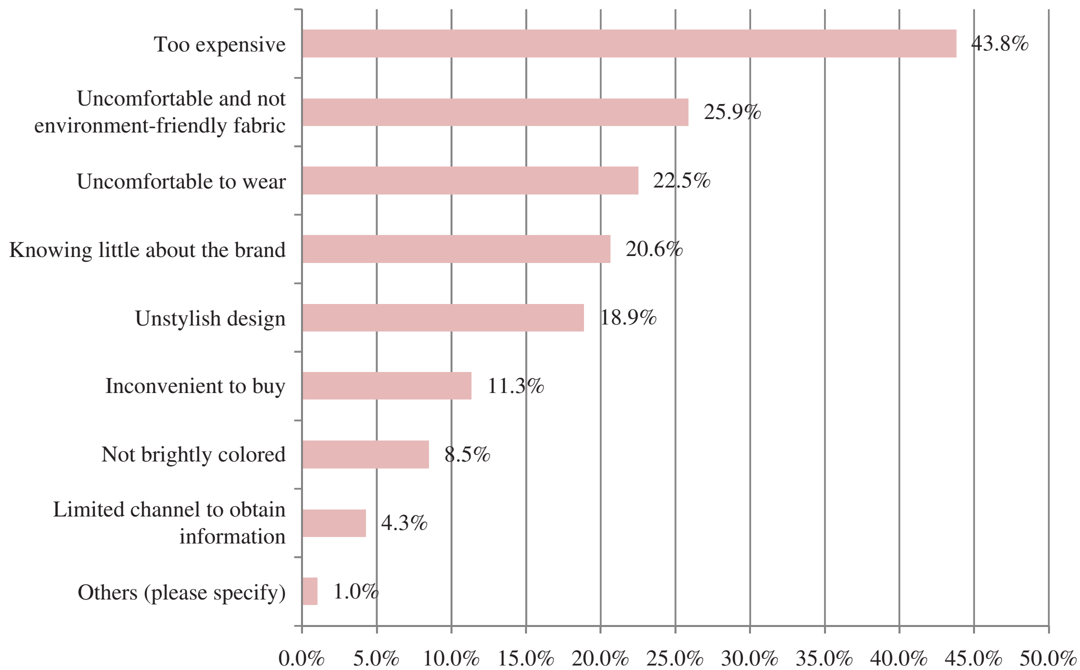


Number of respondents in survey — 1,834
Source: Frost & Sullivan customer primary research conducted in June 2013

On the other hand, respondents to the Frost & Sullivan Survey identified application of unqualified fabric to children's apparel and uncomfortableness of children's apparel as two of the top three reasons for being dissatisfied with a PRC children's apparel brand. In addition, overpriced apparels, weak brand recognition, outdated design and dull colored children's apparel are also listed as top reasons for being dissatisfied with a children's apparel brand.

The following chart illustrates the top reasons leading Chinese children's apparel consumers to be dissatisfied with a children's apparel brand:

Reasons for being Dissatisfied with a Children's Apparel Brand in China



Number of respondents — 1,834
Source: Frost & Sullivan end customer primary research conducted in June 2013