

INDUSTRY OVERVIEW

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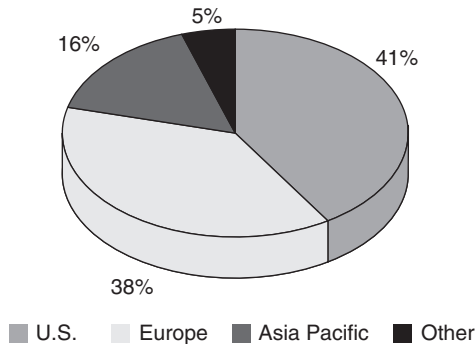
GLOBAL SPORTSWEAR INDUSTRY

Global branded sportswear market

The global branded sportswear market recorded a steady growth of approximately 3.2% in 2004. In 2004, the total market size of the global branded sportswear market was worth approximately US\$45.4 billion at a wholesale level and the US was the largest branded sportswear market in the world, followed by Europe.

The diagram below shows the market share of Europe, the US and Asia Pacific in the global branded sportswear market in 2004.

Global branded sportswear market by region in 2004



Source: Athletic Footwear & Apparel 2005 published by Sporting Goods Intelligence Inc.

According to Sporting Goods Intelligence Inc., three international sports brands dominated the global branded sportswear market, Nike, Adidas and Reebok in aggregate accounted for approximately 17.8% of the global sportswear wholesale market in terms of turnover in 2004. Other international sports brands, such as Fila, Umbro, Puma, Asics and Mizuno, each accounted for approximately 0.6% to 1.8% of the global sportswear wholesale market in 2004.

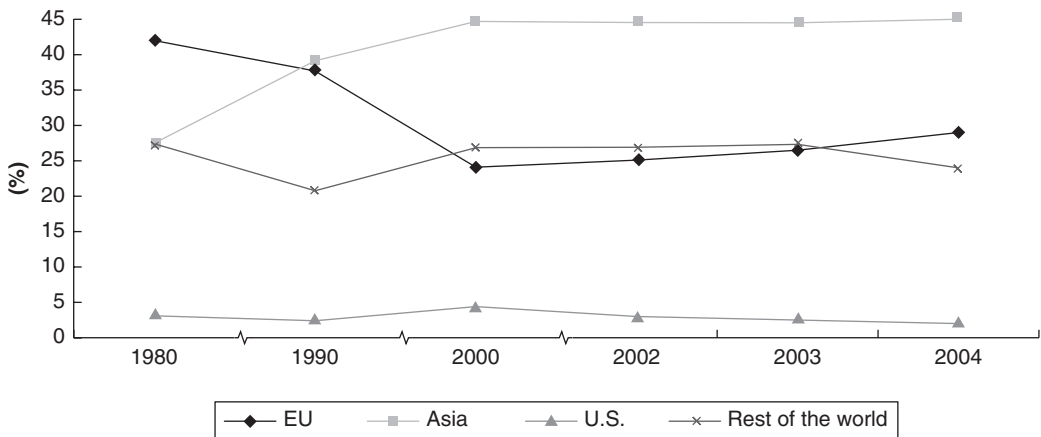
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According to Sporting Goods Manufacturers Association and consumer and retail audits conducted by the NPD Group, the retail apparel purchases of total sports apparel and active sports apparel in the US were US\$38.8 billion and US\$12.0 billion respectively, representing approximately 22.5% and 6.9% of all retail apparel purchases respectively in 2004. In terms of product category, T-shirts made up of approximately 37.3% of the total sports apparel purchases in the US in 2004.

Major production countries

Historically, the global apparel exports were dominated by developed countries. However, due to the fact that the cost of production and in particular the cost of labour was high in these countries, production of apparels has gradually shifted to the developing or less developed countries where the labour cost is comparatively lower, for instance, the Asian countries. Asian countries' share of global apparel exports grew from approximately 26.8% in 1980 to 38.4% in 2004. The chart below illustrates the market share of global apparel exports from the EU, the US and Asia from 1980 to 2004 in terms of value.

Share in global apparel exports from 1980 to 2004



Source: WTO

Note 1: The EU Includes Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and United Kingdom. The number of member states of the EU was increased to 25 in 2004. The ten additional countries are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Note 2: The data for Asia includes China, Hong Kong*, India, Bangladesh, Indonesia, Korea, Thailand, and the Philippines for the years 1980 and 1990. The data for Asia includes China, Hong Kong*, India, Bangladesh, Indonesia, Korea, Thailand, the Philippines and Vietnam for the years 2000, 2002, 2003 and 2004.

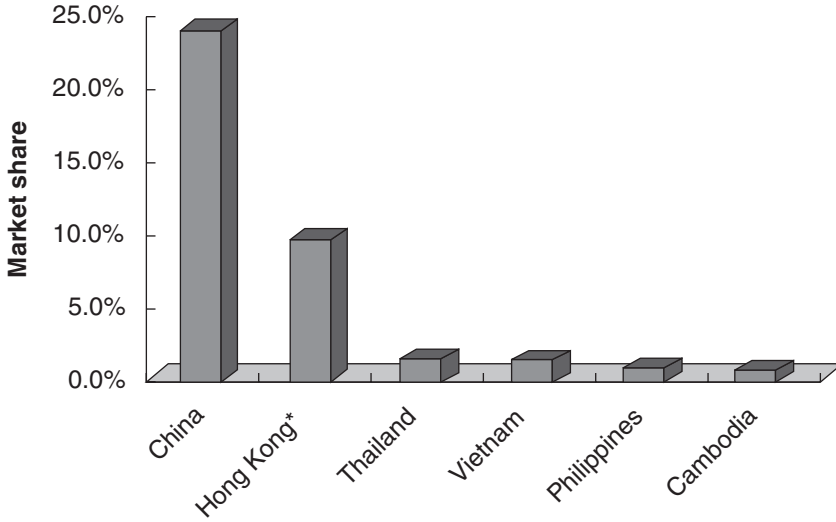
Note 3: Scale of table changes from every ten years to every year, starting in 2002.

* The data for Hong Kong includes re-exports.

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The chart below illustrates the share of global apparel exports of selected Asian countries in 2004:

Share of global apparel exports of selected Asian countries in 2004



Source: WTO

* The data for Hong Kong includes re-exports.

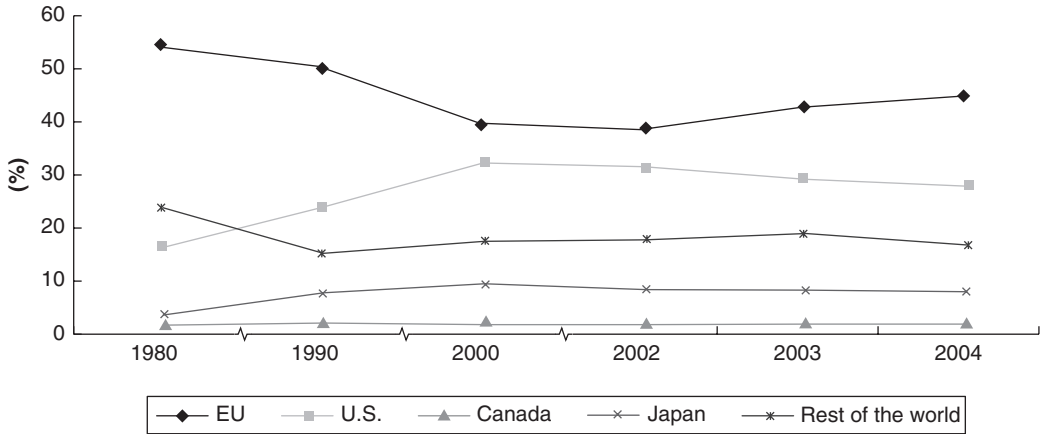
As illustrated in the chart above, China surpassed other apparel exports countries in Asia and was the world's largest exporting country for apparel in Asia in 2004. In 2004, China accounted for roughly one fourth of the world's apparel exports. The production of sportswear in China is principally conducted on an OEM basis and concentrated in Guangdong province and Fujian province.

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Major importing countries

According to WTO statistics, the EU was the largest importer of apparel products, followed by the US, in 2004, together represented an aggregate of approximately 73.0% of the global apparel imports. The graph below illustrates the share of the EU, US, Japan and Canada in the global apparel import market from 1980 to 2004:

Share in global apparel imports from 1980 to 2004



Source: WTO

Note 1: The EU Includes Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and United Kingdom. The number of member states of the EU was increased to 25 in 2004. The ten additional countries are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Note 2: Scale of table changes from every ten years to every year, starting in 2002.

CHINA SPORTSWEAR INDUSTRY

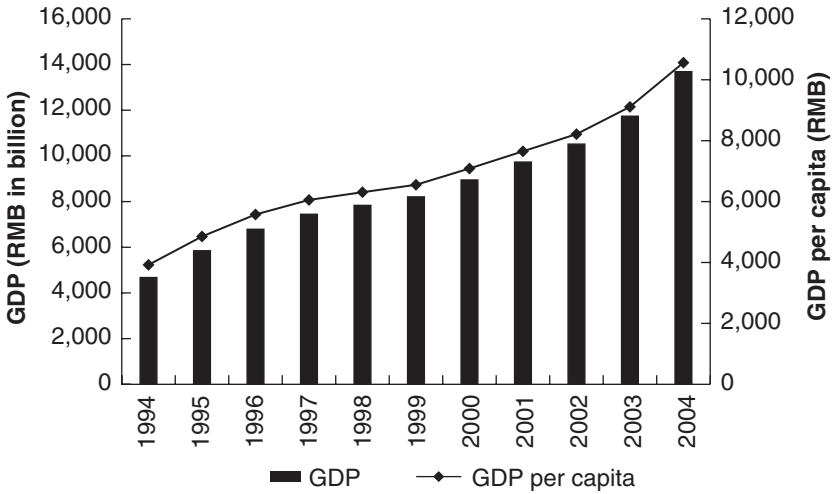
Economic growth and consumption power in China

According to a non-commissioned market research report published by CCID Consulting Co., Ltd., an independent consultant, the sportswear market in China has experienced growth in recent years, and reached a total sales of RMB 65 billion in 2004. The factors contributed to the growth of the China sportswear market are among others, the growth in annual GDP, the urbanisation process and the change in consumption pattern with customers in China.

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From 1994 to 2004, China's GDP grew at CAGR of approximately 11.3% per annum. The chart below illustrates the growth in GDP and GDP per capita in China from 1994 to 2004.

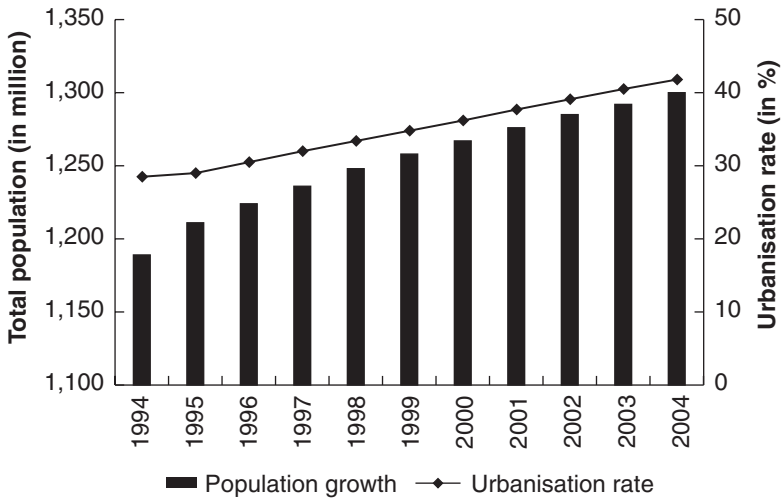
GDP and GDP per capita from 1994 to 2004



Source: China Statistical Yearbook, 2005

China's economic development has led to rapid urbanisation in recent years. Total urban population in China increased by approximately 201 million or 58.9% during the period from 1994 to 2004. The chart below illustrates the population growth and urbanisation rate in China from 1994 to 2004.

Population growth and urbanisation rate from 1994 to 2004

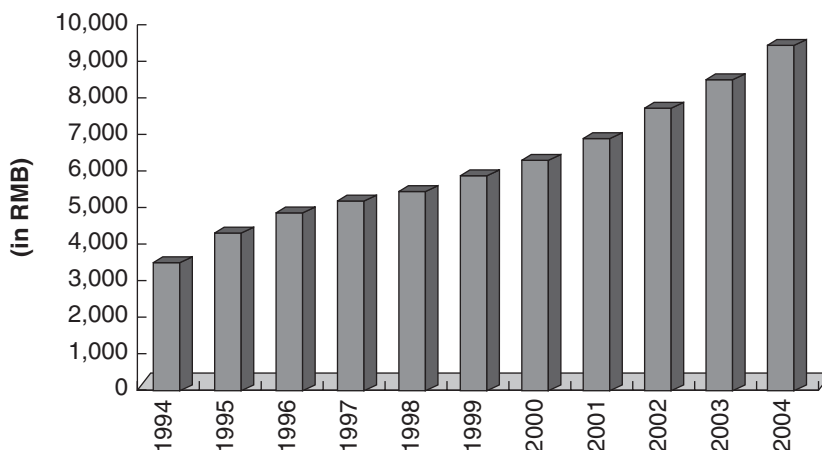


Source: China Statistical Yearbook, 2005

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The average income level of urban households in China has also gradually increased in recent years. The chart below illustrates the per capita annual disposable income of urban households in China from 1994 to 2004.

**Per capita annual disposable income of urban households in China
from 1994 to 2004**



Source: *China Statistical Yearbook, 2005*

According to China's General Administration of Sport, the increase in income level has indirectly contributed to the growth of sports participation rate in China. The table below illustrates the correlation between disposable income and sports participation in China.

Correlation between disposable income and sports participation in China

Disposable income (in RMB)	Aver.	201-300	301-400	401-500	501-600	601-700	701-800	801-900	901-1,000	Above 1,000
Participate (%)	33.3	38.6	37.2	39.3	32.8	53.3	58.0	43.2	58.6	66.7
Not participate (%)	66.7	61.4	62.8	60.7	67.2	46.7	42.0	56.8	41.4	33.3

Source: *China's General Administration of Sport, 2004*

With the increase in income, people are becoming more health-conscious and more fashion-oriented. Low- to medium-priced products, which target the mass market, will benefit. Luxury products perform well in the first tier cities and some coastal cities where consumer spending is higher on a per capita basis.

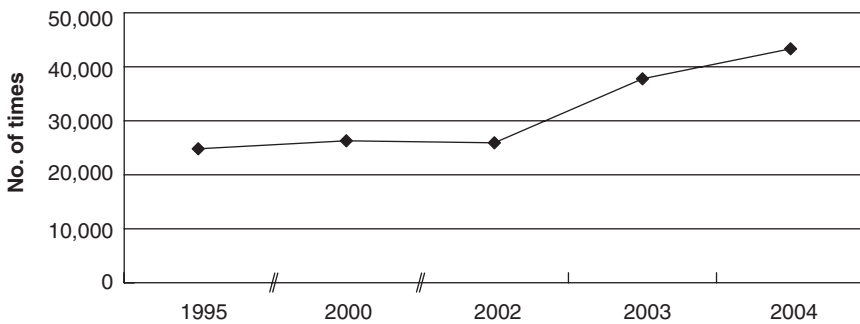
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Sports activities in China

With the increased popularity of sports among Chinese, the number of sports activities held by Sports Commissions has increased from approximately 24,880 times in 1995 to 43,440 times in 2004.

The chart below illustrates the number of sports activities held by sports commissions at and above county level from 1995 to 2004.

Number of sports activities held by sports commissions at and above county level from 1995 to 2004



Source: China Statistical Yearbook, 2005

The 2006 World Cup has proved to generate high demand for sporting goods, particularly for soccer, which is one of the largest sport categories in China. It is also a generally accepted belief that the 2008 Beijing Olympic Games will further propel the demand for sportswear and other sporting good products.

Prospect

Currently, the consumption of sporting goods market in China accounted for approximately 0.2% of its GDP which is significantly lower than approximately 1.0% - 1.5% of that of the developed countries. According to the forecast by the International Monetary Fund, it is estimated that the GDP in China will continue to grow by 8.2% in 2006. In addition to the positive impact of the upcoming sports events such as the 2008 Beijing Olympic Games, there is expected to be tremendous opportunities for the continuous development and growth of the sportswear industry in China.