

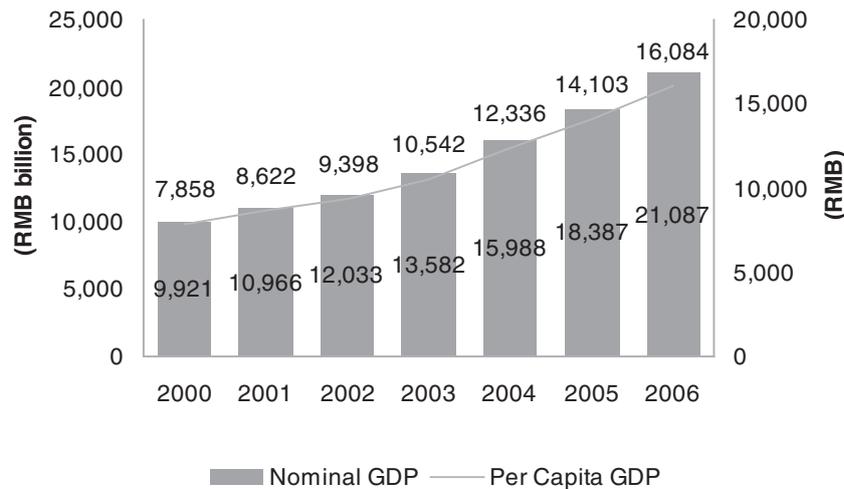
## INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus relating to the PRC economy and the industry in which we operate is derived from various official government sources. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by the Directors in the exercise of extracting and repeating such information and statistics. We, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, their respective directors and advisors or any other party involved in the Global Offering make no representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with each other or with other information.

### RAPID ECONOMIC GROWTH IN THE PRC

#### Growth of the Chinese economy

The PRC economy has expanded rapidly since the “reform and liberalization” market policies initiated by the Chinese government in the late 1970s. Since then, the PRC government has actively sought to become engaged in international trade. Economic growth was further spurred by the launch of special economic zones along coastal PRC in the early 1990s. During the period from 2000 to 2006, the PRC’s National Bureau of Statistics estimates that the PRC’s nominal GDP grew at a CAGR of approximately 13.4%, demonstrating the rapid expansion of PRC economy. The chart below sets out the nominal GDP and nominal GDP per capita in the PRC during the period from 2000 to 2006.

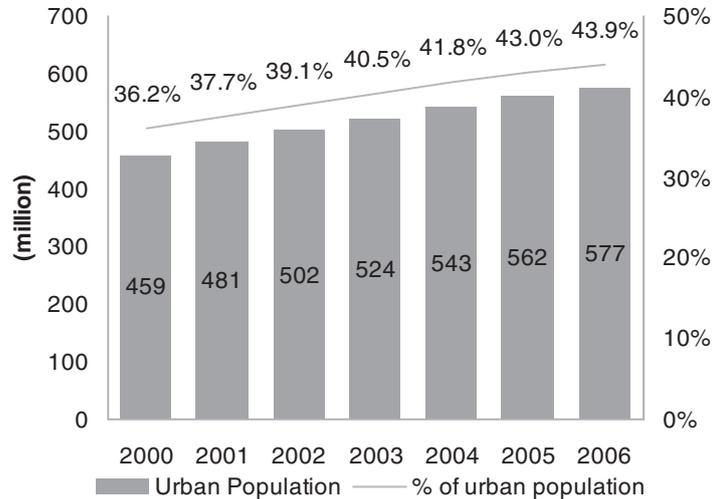


Source: National Bureau of Statistics of China

## INDUSTRY OVERVIEW

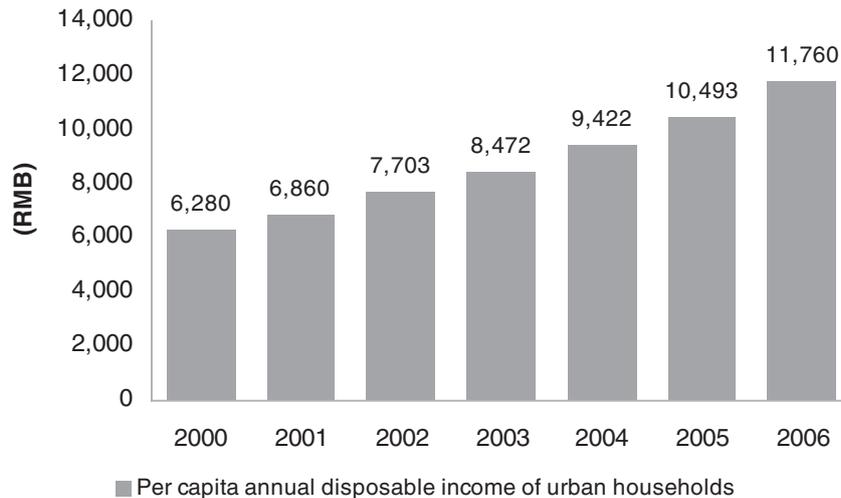
### Accelerating urbanization trend and increasingly affluent urban residents

Urbanization has accelerated in the PRC as a result of the country's rapid economic growth. Populations in urban cities have swelled with the influx of people from rural and less developed areas. From the short span between 2000 and 2006, the total urban population in the PRC increased by 118 million or approximately 25.7%. In 2006, the total urban population was 577 million and accounted for approximately 43.9% of the total population. The table below shows the growth of the urban population in the PRC during the period from 2000 to 2006.



Source: National Bureau of Statistics of China

The growth in GDP and the rate of urbanization relate to an improvement in living standards and an increase in purchasing power. Per capita annual disposable income levels of urban residents have increased substantially since 2000. During the period from 2000 to 2006, the per capita annual disposable income of urban households in the PRC increased from RMB6,280 to RMB11,760, representing a CAGR of 11.0%.



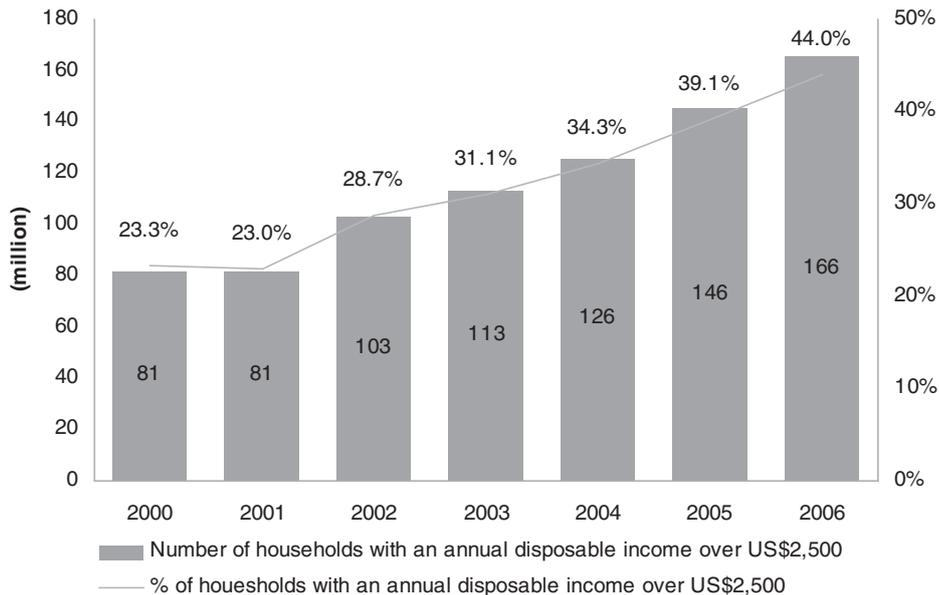
Source: National Bureau of Statistics of China

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The PRC's market for consumer goods has expanded rapidly in the past few years amid the PRC's strong economy, growing middle class and increasing affluence. For instance, the number of households with an annual disposable income of over US\$2,500 more than doubled, from approximately 81 million in 2000 to approximately 166 million in 2006. This income group accounted for 44.0% of total households, showing substantial increase from 23.3% in 2000.



Source: National Bureau of Statistics of China

### STRONG GROWTH IN PERSONAL CONSUMPTION AND RETAIL SALES IN THE PRC

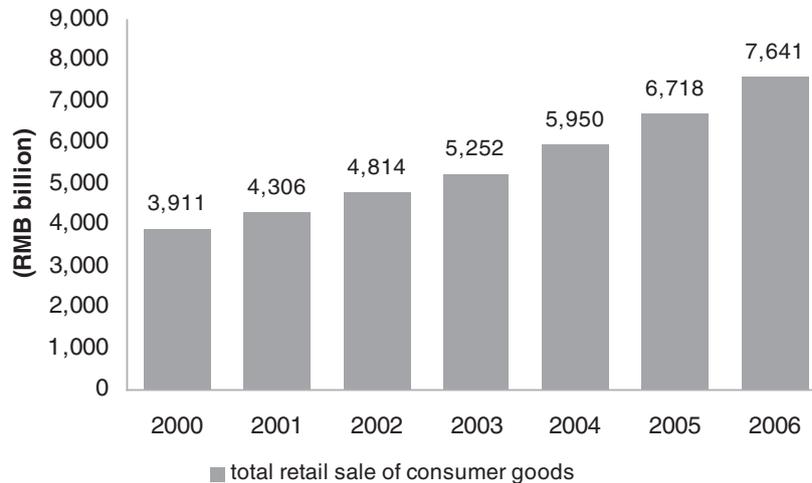
The PRC's market for consumer goods has expanded rapidly in the past few years amid the PRC's strong economy, growing middle class and increasing affluence. These changing demographics have increased the consumption power of consumers in the PRC, which has ultimately driven the development of the retail industry. The total retail sales of consumer goods in the PRC increased from RMB3,911 billion in 2000 to RMB7,641 billion in 2006, representing a CAGR of 11.8%. According to the National Bureau of Statistics of China, the total retail sales of consumer goods in the PRC for the first six months of 2007 reached RMB4,204 billion, representing an increase of 15.5% from that for the same period in 2006.

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The chart below illustrates the total retail sales of consumer goods in the PRC from 2000 to 2006.



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Source: National Bureau of Statistics of China

### **Influence of the growth in the PRC's retail market on department stores**

The increase in demand for consumer products that are typically offered by department stores drives the growth of department stores sector in the PRC.

According to Euromonitor<sup>(1)</sup> statistics, the department store market in the PRC was estimated to be at a size of approximately RMB441 billion in 2006 compared to RMB288 billion in 2001, representing a CAGR of approximately 8.9%. The total number of department store outlets has grown from 4,305 outlets in 2001 to 5,855 outlets at the end of 2006, an increase of

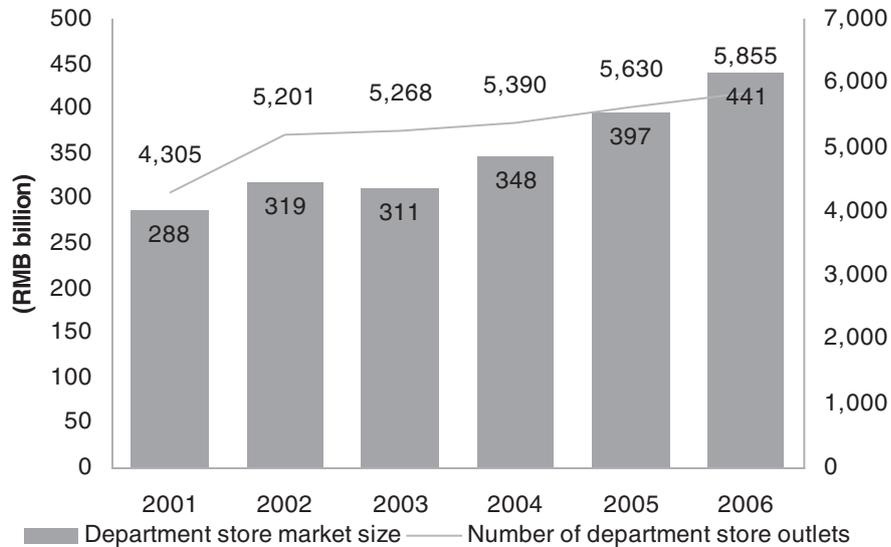
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Note:

(1) Euromonitor offers quality international market intelligence on industries, countries and consumers. They have more than 30 years of experience publishing market reports, business reference books, online information systems and bespoke consulting projects.

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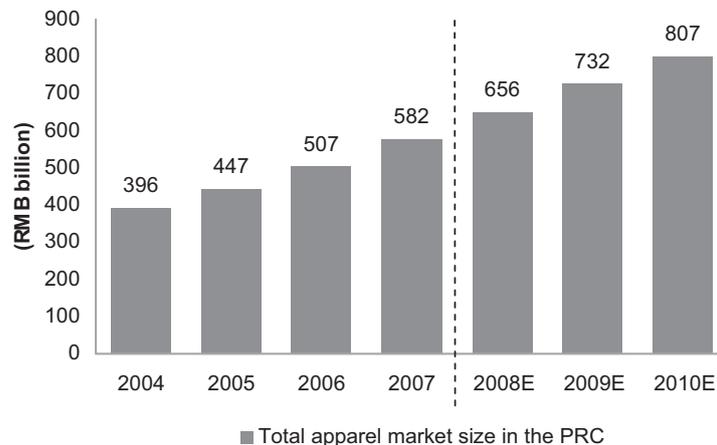
36.0%. The chart below shows the estimated market size of the department store sector and the number of department store outlets in the PRC during the period from 2001 to 2006.



Source: Euromonitor

### THE PRC APPAREL MARKET

The apparel market in the PRC is the largest in the world, with a total value of RMB582 billion in retail value sales in 2007, up by 14.8% from 2006. With the booming economy and sustained GDP growth in the PRC, the apparel market in the PRC demonstrated buoyant development in the period from 2004 to 2007, with a CAGR of 13.6% in sales value. In the period of 2007-2010, total apparel sales in the PRC are forecasted to grow at a CAGR of 11.5%, amounting to RMB807 billion in 2010.



Source: Euromonitor

It is worth noting that women's wear is the largest contributor to total apparel sales. Women's wear represented 50.7% of total apparel sales value in 2007 and is expected to increase to 52.3% in 2010, while both men's and children's' shares are expected to decrease

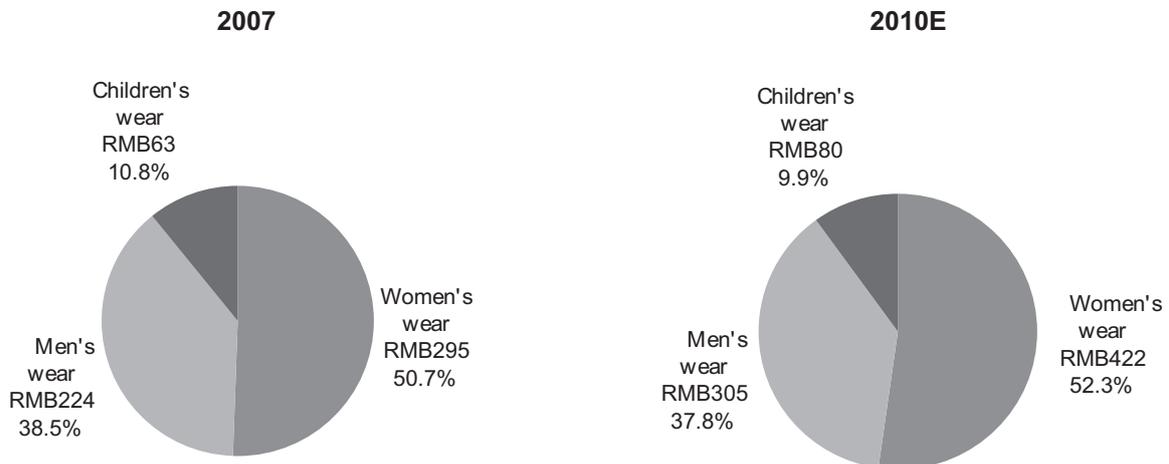
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from 38.6% to 37.7% and from 10.7% to 9.9%, respectively. Women's wear is also the fastest growing segment. In 2007, the per capita expenditure on women's apparel reached RMB525. By 2010, this figure is expected to rise to RMB728, 46.4% higher than that for men and 39.1% higher than children, thanks to the increasing purchasing power resulting from increasing disposable household income. The charts below show the share of women's wear in total apparel market in the PRC in 2007 and 2010, respectively.

### Sales value share of total apparel market by sector, 2007 & 2010E (in RMB billions)



Source: Euromonitor

## Women's apparel market in the PRC

### Overview

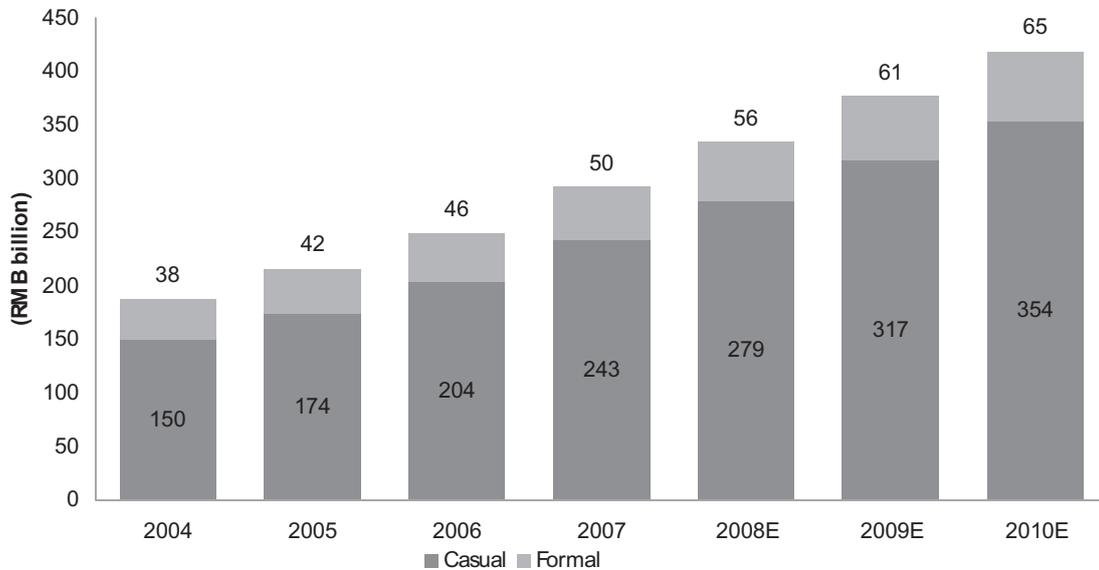
The women's apparel market in the PRC has experienced significant growth in recent years. The total women's wear (excluding women's underwear) in the PRC reached a value of RMB295 billion in 2007, an increase of 17.1% from 2006. Women's wear experienced robust growth from 2004 to 2007, with total value demonstrating a CAGR of 15.9%, faster than both men's and children's wear. During the period from 2007 to 2010, women's apparel is forecast to grow at a CAGR of 12.8% in value terms. According to Euromonitor, per capita expenditure on women's apparel in the PRC reached RMB525 in 2007. By 2010, per capita expenditure on women's apparel is expected to rise to RMB728, 46.4% higher than that for men and 39.1% higher than that for children.

### Women's casual apparel

In the PRC, casual wear dominates the women's apparel market and represented approximately 82.9% of the total market in 2007. Women's casual wear has also demonstrated significantly stronger growth with a CAGR growth of 17.3% from 2004 to 2007, outpacing women's formal wear by almost eight percentage points. Given the increasing size of the PRC's affluent middle class and the increasing focus on individual lifestyle, the strength of casual wear is expected to continue, with women's casual wear forecast to grow at a CAGR of 13.4%, from RMB244 billion in 2007 to RMB357 billion in 2010. Women's casual wear is forecast to account for 84.5% of the total by 2010.

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### Value of women's wear by type, 2004-2007



Source: Euromonitor

### Young women's apparel

Young women between ages of 20 to 30 contribute the most in share of sales value, comprising 35% of the total women's wear market in the PRC in 2007, in part due to particularly strong spending power for those aged between 25 and 30. Notably, women in this age group purchase apparel frequently reflecting, we believe, particular concern over appearance and changing fashion trends as well as their growing spending power. Apparel sales for this age group demonstrated the highest growth among all age segments, at a CAGR of 17.8% from 2004 to 2007. Their enthusiasm for fashion and growing spending power are likely to continue to sustain the vigorous growth of the women's apparel market for this age group, increasing its apparel value share from 34.9% of the total in 2007 to 36.5% by 2010.

### Sales value by age groups in women's apparel market (2004-2007)

Age group (years)	2004	2004 Market	2007	2007 Market	2010	2010 Market
	Sales Value (RMB billion)	Share (%) by Sales Value	Sales Value (RMB billion)	Share (%) by Sales Value	Sales Value (RMB billion)	Share (%) by Sales Value
13-19	26	13.8%	38	12.9%	52	12.4%
<b>20-30</b>	<b>63</b>	<b>33.5%</b>	<b>103</b>	<b>34.9%</b>	<b>154</b>	<b>36.5%</b>
30-40	59	30.9%	95	32.2%	139	32.9%
41+	41	21.8%	59	20.0%	77	18.2%
Total women's apparel . . . . .	<u>189</u>	<u>100%</u>	<u>295</u>	<u>100%</u>	<u>422</u>	<u>100%</u>

Source: Euromonitor

### Competitive landscape

The PRC's women's apparel industry is characterized by high fragmentation and intensifying competition. None of the top five brands in the women's apparel market are able to

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achieve 1% of the share of total sales value, no brand is known to have taken an absolute and dominant lead in women's wear in the PRC yet. Furthermore, the competition has been increasingly intensified as international brands continue to expand into the PRC's apparel market. Backed by strong financial resources and their global networks, several multinational apparel brands have attracted consumers with their trendy product designs and aspirational brand images.

All of the top five brands in women's wear market belong to casual wear segment, which further reflects the growing popularity of casual wear in the women's apparel market in the PRC. The following table sets forth the number of outlets of women's brands and market shares based on 2007 sales value estimate of each of the top five women's apparel companies.

	<u>Number of outlets of all women's brands</u>	<u>Market share (%) by 2007E sales value</u>
No. 1 player .....	1,028	0.89
No. 2 player .....	2,083	0.86
No. 3 player .....	2,600	0.58
No. 4 player .....	2,980	0.57
E.Land Fashion China Holdings Limited .....	<u>1,084</u>	<u>0.56</u>
<b>Total of top 5 companies .....</b>	<b><u>9,775</u></b>	<b><u>3.46</u></b>

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Source: Euromonitor

### ***Women's apparel by distribution channel***

As the number one sales channel for women's wear in the PRC, department stores registered sales of RMB112 billion in 2007, up by 15.3% over 2006. Despite the recent decline in sales through department stores, which have dropped from 40.0% of the total apparel value sales in 2004 to 38.0% in 2007, department stores are still the major distribution channel for women's apparel in the PRC.

Department stores are the most traditional distribution channel for apparel in the PRC, attracting customers with its wide variety of apparel brands and product categories combined with their large sales floor area. Most large-scale department stores usually have two stories dedicated to the sales of women's wear, owing to the category's broad range of products as well as its crucial contribution to the revenue of each store.

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### *Sales value by retailing channels for women's apparel market (2004-2007)*

	<u>2004</u> <u>Sales Value</u> <u>(RMB billion)</u>	2004 Market Share (%) by Sales Value	<u>2007</u> <u>Sales Value</u> <u>(RMB billion)</u>	2007 Market Share (%) by Sales Value
<b>Department stores</b> .....	<b>75</b>	<b>40.0%</b>	<b>112</b>	<b>38.0%</b>
Hypermarkets .....	11	5.8%	23	7.8%
Specialty stores .....	54	28.7%	89	30.2%
Discounters .....	1	0.5%	6	2.0%
Others .....	<u>48</u>	<u>25.0%</u>	<u>65</u>	<u>22.0%</u>
Total women's apparel .....	<u>189</u>	<u>100%</u>	<u>295</u>	<u>100%</u>

Source: Euromonitor

In connection with the Global Offering, we have engaged Euromonitor to conduct a detailed analysis of the women's apparel market in the PRC. We paid a total of US\$34,000 to Euromonitor for its services. Euromonitor compiled a report dated February, 2008 which consists of historical data for the period from 2004 to 2007, where available, and forecasts for the period from 2008 to 2010, of the trends and in women's apparel market in the PRC. The methodology combines primary and secondary research to provide a composite analysis of the market. For more information please refer to the section headed "Statutory and general information — Other information — Euromonitor" in Appendix VI to this prospectus.