
INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a report we commissioned from Frost & Sullivan, an Independent Third Party. The information extracted from the Frost & Sullivan report reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool. References to Frost & Sullivan should not be considered as Frost & Sullivan's opinion as to the value of any security or the advisability of investing in us. While we have exercised reasonable care in compiling and reproducing such information from official government publications, it has not been independently verified by us, or any of our affiliates or advisers, nor by the Underwriters or any of their affiliates or advisers or any party involved in the Global Offering. This information from official government publications may not be consistent with information available from other sources within or outside the PRC. We, our affiliates or advisers, the Underwriters or their affiliates or advisers, or any party involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

INTRODUCTION

Our company primarily operates in the sportswear industry in the PRC. The performance of the PRC sportswear industry is primarily driven by the growth of the Chinese economy, and in particular, the increase in disposable income in the Chinese population, as well as market acceptance of sporting goods and apparel. We believe the sportswear industry in the PRC has benefited from compelling industry fundamentals such as rapid economic growth, urbanisation and increasing disposable income.

According to Frost & Sullivan, an independent market research and consulting company, the total expenditure on sportswear in the PRC was US\$9.8 billion (RMB68.3 billion) in 2008, which has grown rapidly at a CAGR of 31.3% from US\$3.3 billion (RMB27.4 billion) in 2004. In addition, total per capita expenditure on sportswear related products in the PRC was US\$7.4 (RMB51.6) in 2008, which lags behind many developed countries such as the United States, Canada, United Kingdom, Germany, France, Australia, Japan, Korea and Singapore where per capita sportswear expenditure ranged from US\$20.3 (RMB140.9) to US\$232.8 (RMB1,617.7) for the same period. Total per capita expenditure on sportswear in the PRC is projected to grow at a CAGR of 31.4% between 2008 and 2013, which is significantly faster than the projected growth in many developed countries over such period.

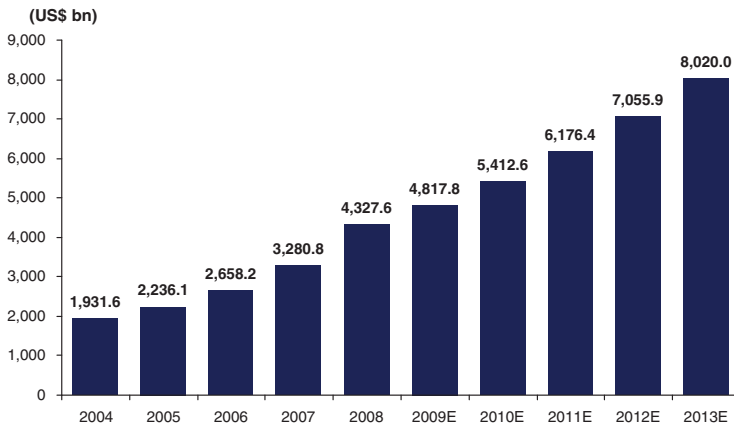
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RAPID GROWTH OF CHINESE ECONOMY, URBANISATION AND INCREASING DISPOSABLE INCOME

Growth of the PRC Economy

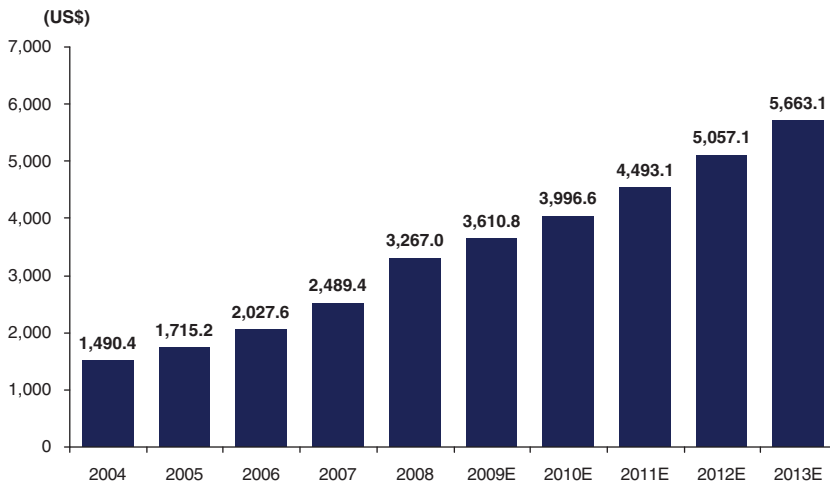
The PRC economy has grown significantly since the “Open Door” market liberalisation policies initiated by the PRC Government in the late 1970s. Economic growth was further spurred by the launch of special economic zones along the coastal region of the PRC in the early 1990s. According to the National Bureau of Statistics of China (國家統計局), the PRC economy has been experiencing steady growth with nominal gross domestic product (the “**nominal GDP**”) growing steadily at a CAGR of approximately 22.3% from approximately US\$1,931.6 billion (RMB15,987.8 billion) in 2004 to approximately US\$4,327.6 billion (RMB30,067.0 billion) in 2008. The nominal GDP per capita increased from approximately US\$1,490.4 (RMB12,336.0) to approximately US\$3,267.0 (RMB22,698.0) during the same period. According to the International Monetary Fund (the “**IMF**”) the nominal GDP per capita is projected to further increase to approximately US\$5,663.1 (RMB35,874.5) by 2013. The charts below set forth the historical and projected nominal GDP and nominal GDP per capita in the PRC for the periods indicated.

Nominal GDP in the PRC, 2004-2013E



Source: Historical data converted into US\$ from RMB with the average exchange rate of the corresponding year: National Bureau of Statistics of China; Projected data: IMF

Nominal GDP per capita in the PRC, 2004-2013E



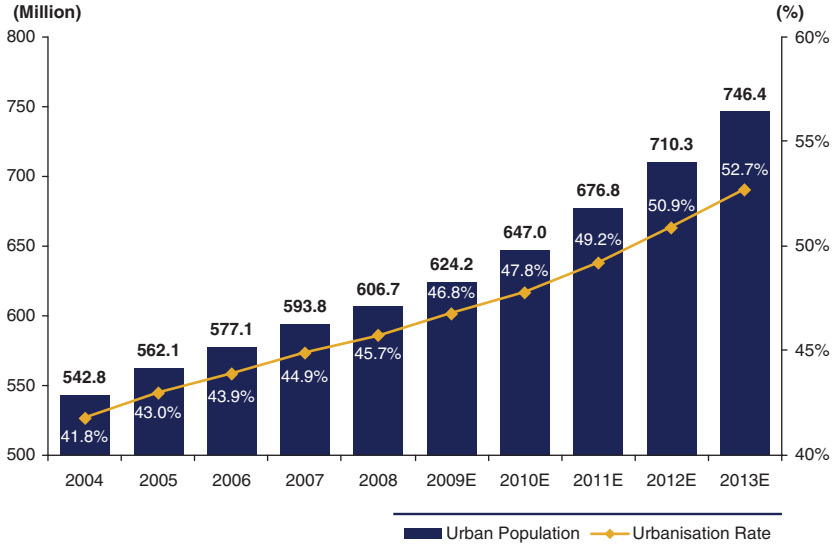
Source: Historical data: National Bureau of Statistics of China; Projected data: IMF

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Accelerating Urbanisation Trend

Urbanisation has accelerated in the PRC as a result of the country's rapid economic growth. Populations in large urban cities have increased with the influx of people from rural and less developed areas. During the span of 2004 to 2008, the total urban population in the PRC increased by approximately 63.9 million or approximately 11.8%. In 2008, the total urban population was approximately 606.7 million and accounted for around 45.7% of the total population. The following chart sets forth the historical and projected urban population and urbanisation rate in the PRC for the periods indicated.

Urban Population and Urbanisation Rate in the PRC, 2004-2013E

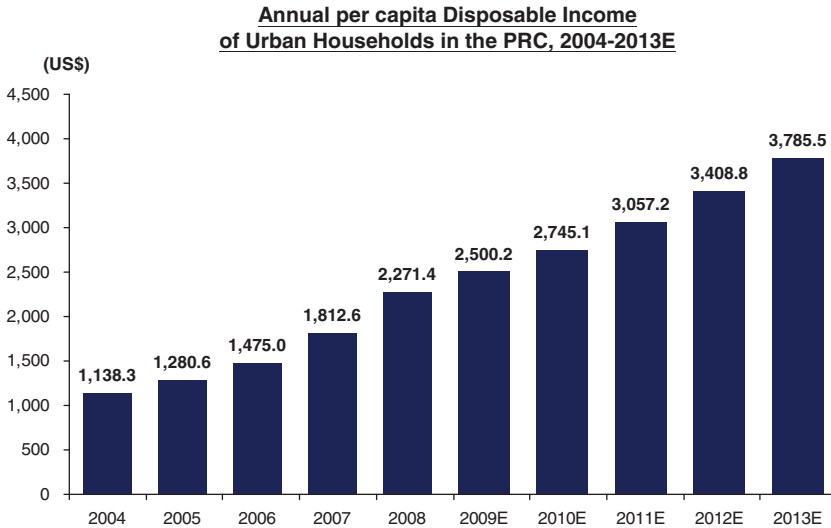


Source: Historical data: National Bureau of Statistics of China; Projected data: Frost & Sullivan

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Disposable Income Growth of Urban Households

With the rapid growth of the PRC economy, income levels of urban households have increased and living standards have improved. According to the National Bureau of Statistics of China, the annual per capita disposable income of urban households in the PRC increased at a CAGR of approximately 18.9% from approximately US\$1,138.3 (RMB9,421.6) in 2004 to approximately US\$2,271.4 (RMB15,781.0) in 2008. According to Frost & Sullivan, the annual per capita disposable income of urban households in the PRC is projected to further increase to approximately US\$3,785.5 (RMB23,962.1) in 2013. The following chart sets forth the historical and projected annual per capita disposable income of urban households in the PRC for the periods indicated.



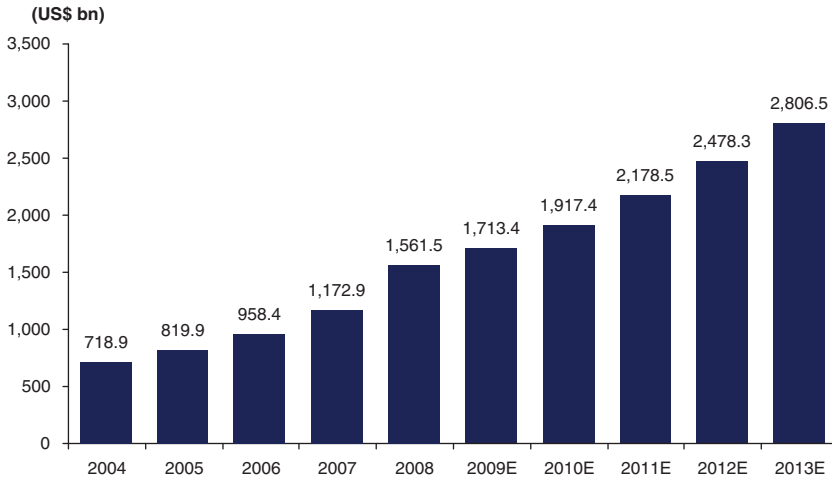
Source: Historical data: National Bureau of Statistics of China; Projected data: Frost & Sullivan

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STRONG RETAIL GROWTH AND CHANGING CONSUMPTION PATTERNS

From 2004 to 2008, retail sales of consumer goods in the PRC had experienced rapid growth amid the PRC's strong economy, growing middle class and increasing affluence. These changing demographics have coincided with the increase in disposable income per capita, suggesting that the consumption power of consumers in the PRC has risen. Consumer spending, as measured by the total value of retail sales of consumer goods, has grown at a CAGR of approximately 21.4% from approximately US\$718.9 billion (RMB5,950.1 billion) in 2004 to approximately US\$1,561.5 billion (RMB10,848.8 billion) in 2008. According to Frost & Sullivan, the total retail sales value is projected to further increase to approximately US\$2,806.5 billion (RMB17,765.4 billion) by 2013. The following chart sets forth the historical and projected total retail sales of consumer goods in the PRC for the periods indicated.

Total Retail Sales of Consumer Goods in the PRC, 2004-2013E



Source: Historical data: National Bureau of Statistics of China; Projected data: Frost & Sullivan

Key Drivers of Sustainable Growth in the PRC's Retail Market

As the nominal GDP per capita has experienced significant growth in the PRC and as Chinese consumers have become more affluent, they have been gradually switching to mid- to high-end branded products with better designs and higher quality. We believe this change in the consumption patterns in the PRC will result in a gradually expanding target customer base for us with respect to those consumers interested in sportswear.

The increasing size of the PRC's middle class and growing affluence in the PRC overall have greatly contributed to the increasing consumption of lifestyle-enhancing products, such as entertainment, leisure, technology, apparel and footwear. As the level of disposable income increases among these people, their purchase decisions become increasingly less driven by price and functionality, but more by brand image, product design and style.

The PRC's generation Y, those born between 1980 and 1990, are expected to be a large driver of consumption among the population. This generation grew up amid rising consumerism and entrepreneurship in the PRC. Their higher education and stronger earning power coupled with the influx of Western culture and mentality into the PRC have slowly created a different perception of borrowing for consumption.

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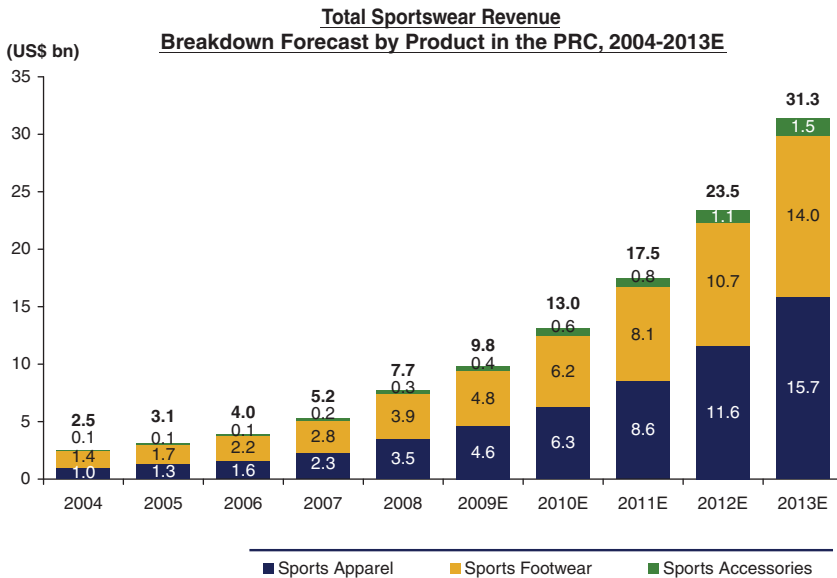
THE PRC SPORTSWEAR INDUSTRY

Overview

The PRC sportswear market, which includes footwear, apparel and accessories, has expanded rapidly in recent years. According to Frost & Sullivan, the footwear market was the largest segment in 2008 with revenue of 50.5%, apparel ranked the second with 45.5% and the remainder of 4.0% was occupied by the accessories segment.

The most common distribution channel in the PRC sportswear market is sales through distributors which are wholesalers and/or retailers. Almost all of the sportswear brand manufacturers in the PRC have dozens or even hundreds of distributors countrywide. In addition, some manufacturers also have self-owned retail outlets and sell directly to end retail consumers as well. As some major sportswear brands implement both wholesale and retail sales and the proportions of each differ by company, Frost & Sullivan used ex-factory revenue, i.e., sportswear brand manufacturers' sales revenue to distributors (as opposed to end retail consumers), for market share to be consistent and to reflect the market better as compared to computing revenue on a retail sales basis. Accordingly, in this prospectus, for purposes of PRC sportswear industry and market share data, revenue means ex-factory revenue. For sportswear brand manufacturers without retail sales which sell all products to distributors (such as our Company), ex-factory revenue equals the manufacturers' sales revenue. For sportswear brand manufacturers which have retail sales, Frost & Sullivan converted their retail sales into ex-factory revenue according to the discount for their own distributors.

According to Frost & Sullivan, total sportswear revenue in the PRC increased from US\$2.5 billion (RMB20.8 billion) in 2004 to US\$7.7 billion (RMB53.3 billion) in 2008, representing a CAGR of 32.2% for that period. Frost & Sullivan projects total sportswear revenue to grow at 32.5% annually between 2008 and 2013 to reach US\$31.3 billion (RMB197.9 billion) in 2013. The following chart sets forth the historical and projected total sportswear revenue in the PRC by type of sportswear for the periods indicated.

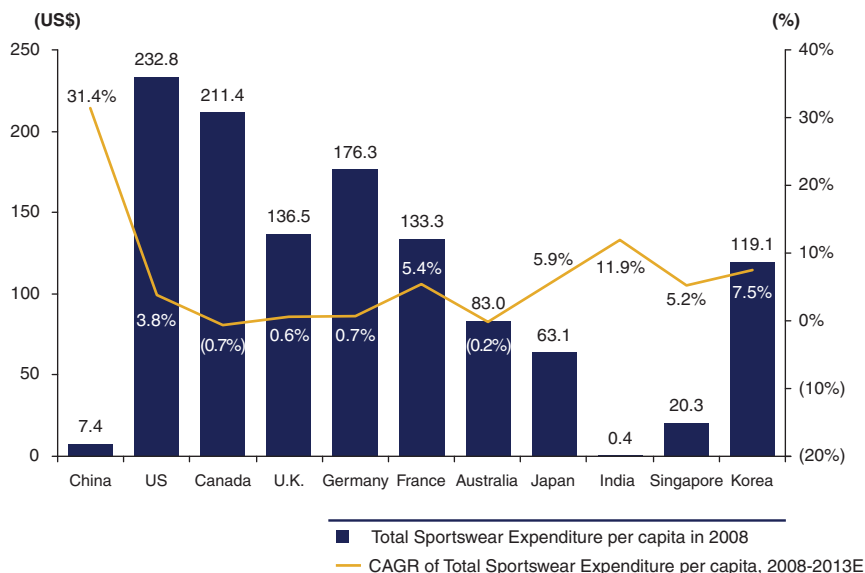


Source: Frost & Sullivan

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The growth potential of the sportswear market in the PRC is further demonstrated by the rapidly growing total sportswear expenditure per capita. According to Frost & Sullivan, total sportswear expenditure per capita in the PRC was US\$7.4 (RMB51.6) in 2008, which lags behind many developed countries such as the United States, Canada and Germany. However, Frost & Sullivan projects annual sportswear expenditure per capita in the PRC to grow at 31.4% annually between 2008 and 2013, which is significantly faster than the same countries named above. The following chart sets forth total sportswear expenditure per capita in 2008 and the projected growth rate of total sportswear expenditure per capita from 2008 to 2013 for the PRC and various other countries.

Global Total Sportswear Expenditure per capita, 2008-2013E



Source: Frost & Sullivan

Key Industry Growth Drivers

Major factors contributing to the growth of the PRC sportswear market include the increase in PRC consumers' purchasing power, increased market demand due to world-level sports events such as Olympic Games, the potential development in the market of the second or third tier cities, the implementation of the Nationwide Fitness Campaign (全民健身運動) by the PRC State Sports General Administration (國家體育總局), increasing brand consciousness among PRC consumers and fashion trends towards leisure consumption.

In addition, the rising popularity of sports and an increasing trend of consciousness of fitness are expected to continue to drive demand for sportswear in the PRC. The PRC Government has consistently promoted competitive athletics and athletic programs for the general public. The increased popularity of sports and fitness in the PRC and improvement in the Nationwide Fitness Campaign (全民健身運動) is evidenced by the 98.6% increase in sporting events from 1995 to 2007 held in the PRC, as illustrated in the following table.

	1995	2000	2007
Number of sporting events held by sports commissions at and above county level from 1995 to 2007	24,880	26,196	49,410

Source: National Bureau of Statistics of China

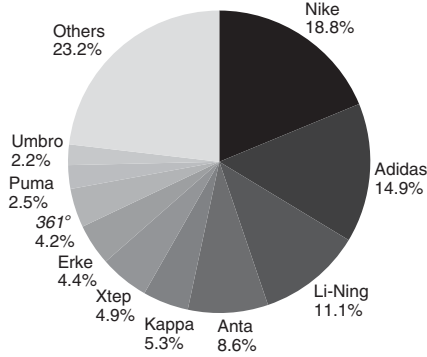
We believe that following the PRC's hosting of the 2008 Olympic Games (2008年北京奧運會), the PRC public's interest in, and awareness of, sports and fitness has increased. Further, Frost & Sullivan expects that the effects of the 2008 Beijing Olympic Games (2008年北京奧運會) will continue to drive consumer spending on sportswear goods and will not simply be a one-off event. In addition, we expect the 2009 East Asian Games (2009東亞運動會) in Hong Kong and the 16th Asian Games in Guangzhou in 2010 (廣州2010年亞運會), among other events, will continue to drive interest in sports among the PRC consumers.

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Market Segmentation

The chart below illustrates the historical market shares of the sportswear brands in the PRC in terms of their revenue for 2008.

2008 Breakdown of the PRC Sportswear Market



Note: “Others” refers to international and domestic brands in the PRC sportswear market other than the brands named in the chart above. Such brands include, amongst others, Peak, Mizuno and Converse.

Source: Frost & Sullivan

In addition, of the ten major brand companies in the PRC sportswear market (selected based on revenue for 2008), the table below illustrates the top five sportswear brands in the PRC in terms of number of retail outlets in the PRC as of 31 March 2009.

**Top Five Major Sportswear Brands in the PRC
(in terms of number of retail outlets in the PRC as of 31 March 2009)**

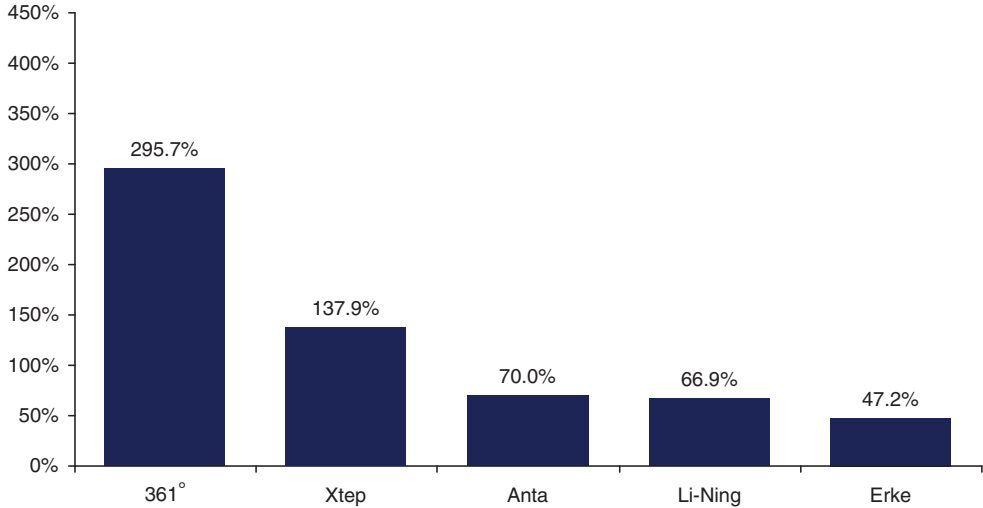
<u>Company</u>	<u>Retail Outlets (As of 31 March 2009)</u>
Li-Ning	6,445
Anta	5,867
361°	5,543
Xtep	5,206
Adidas	4,826

Source: Frost & Sullivan

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In line with the rapid expansion of the sportswear market in the PRC, major domestic sportswear brand companies have experienced strong growth over the last few years. Of the ten major brand companies in the sportswear market in the PRC (selected based on revenue for 2008), the chart below illustrates the top five domestic brands in terms of revenue growth rate for 2008 as compared to 2007.

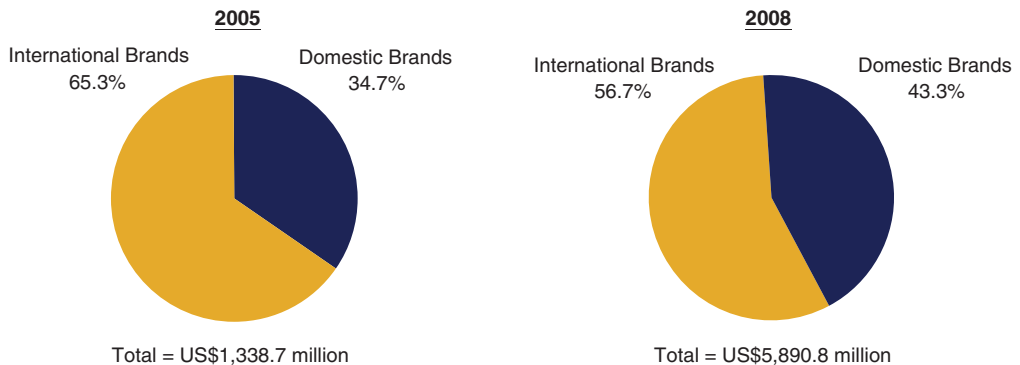
**Top Five Major Domestic Sportswear Brands in the PRC
(in term of revenue growth rate for 2008 as compared to 2007)**



Source: Frost & Sullivan

Market research by Frost & Sullivan indicates that domestic brands have become increasingly prominent and successful during the past four years. Domestic brands have been effective in capturing market share by penetrating all levels of the Chinese market, whereas international brands have been less effective in penetrating medium and low end markets due to their brand positioning. The charts below set forth the share of five major international sportswear brands versus the share of five major domestic sportswear brands in terms of revenue in 2005 and in 2008.

**Market Share of Five Major International Sportswear Brands versus
Five Major Domestic Sportswear Brands in terms of Revenue**



Source: Frost & Sullivan

The barriers to entry in the China branded sportswear market are high, due to the cost and time required to build brand awareness and establish an effective distribution network. The top sportswear brands have achieved

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high growth rates in China. Frost & Sullivan believes that in the coming years to 2013, these leading brands will continue to gain market share at the expense of less established, lower-end brands due to their critical mass in distribution network, superior brand recognition and innovation in product design and development.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and growth consulting company based in the United States with over 40 years of industry experience, to conduct an analysis of, and to report on, the sportswear market in the PRC for the period from 2004 to 2013. The report commissioned has been prepared by Frost & Sullivan independent of our influence. We paid RMB559,000 to Frost & Sullivan for the report commissioned and we consider such fee reflects market rates.

The Frost & Sullivan report we commissioned includes information on the PRC sportswear market such as market share and ranking of brand companies and sportswear retailers, sales value, total sportswear consumption, consumption per capita and other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the PRC sportswear industry. Primary research involves interviewing leading industry participants including sportswear brand companies and sportswear retailers. Secondary research involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total sportswear consumption and total retail sales value in the PRC were obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers such as level of brand awareness, product variety, awareness of sporting activities, etc., mapped against available projected drivers obtained through interviews with industry experts and participants.