
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. We believe that the sources of the information extracted from the Frost and Sullivan report 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 fact has been omitted that would render such information false or misleading. 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 [●] or any of their affiliates or advisers or any party involved in the [●]. The 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 [●] or their affiliates or advisers, or any party involved in the [●] 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.

OVERVIEW

We believe the performance of the menswear industry is driven primarily by the growth of the PRC economy and, in particular, the increase in disposable income in the PRC as well as market acceptance of brands. We believe the menswear industry in the PRC has benefited from rapid economic growth, urbanisation, increases in disposable income and a shift in consumption patterns of increasingly affluent urban consumers in the PRC.

According to Frost & Sullivan, the total retail sales from menswear in the PRC increased from approximately US\$12.2 billion in 2001 to approximately US\$37.7 billion in 2008, representing a CAGR of approximately 17.5% during that period. The per capita spending on menswear in the PRC was approximately 25% of that in the United States and approximately 20% of that in Europe in 2008. The menswear market in the PRC is projected to grow at a CAGR of approximately 17.4% between 2009 and 2013, which is significantly faster than in developed countries.

PRC ECONOMIC GROWTH

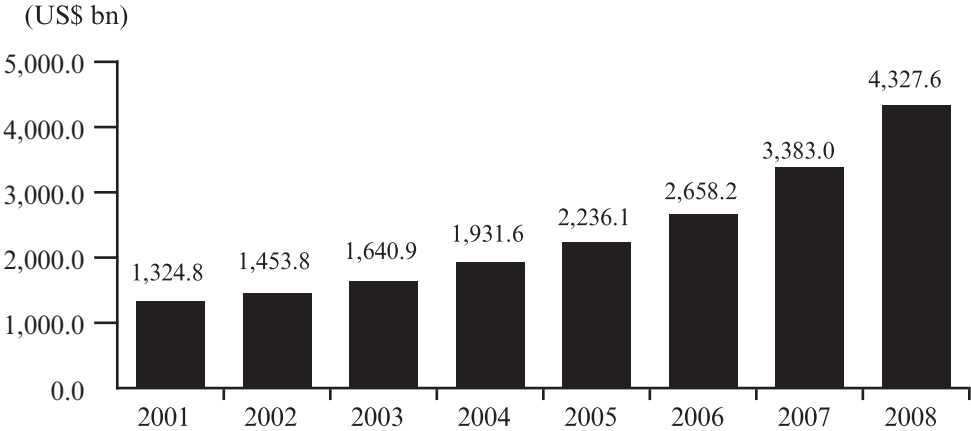
The PRC economy has grown rapidly under the “open door” economic reforms begun in coastal areas in the 1970’s and expanded to other parts of the PRC in the 1990’s. In recent years, the PRC economy has continued to expand rapidly. According to NBS, from 2001 to 2008, GDP grew at a CAGR of approximately 18.4% per annum, which in absolute numbers represented growth from approximately US\$1,324.8 billion in 2001 to

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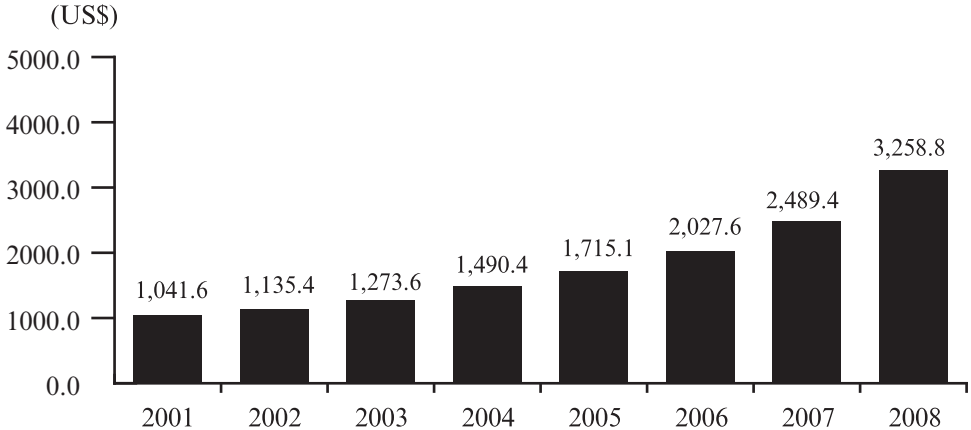
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approximately US\$4,327.6 billion in 2008. GDP per capita grew at a CAGR of approximately 17.7%, from approximately US\$1,041.6 in 2001 to approximately US\$3,258.8 in 2008, according to Frost & Sullivan.

GDP Growth Trend of the PRC from 2001–2008



Per Capita GDP Growth Trend of the PRC from 2001–2008

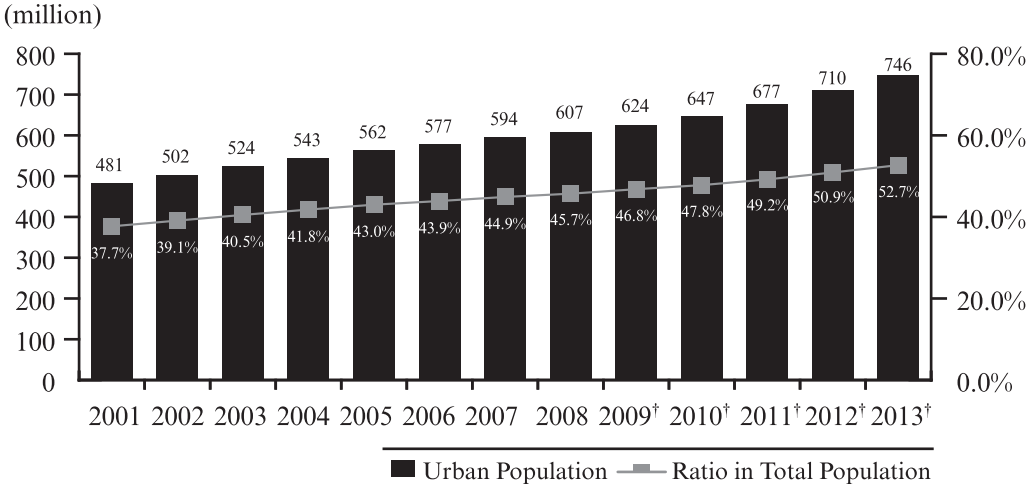


URBANISATION IN THE PRC

Industrialisation has accelerated urbanisation through the migration of the rural population to urban areas and the transformation of towns into cities. According to NBS, the total urban population in the PRC increased by 126 million or a CAGR of approximately 3.4% from 2001 to 2008. In 2001, urban populations accounted for approximately 37.7% of the total population. This increased to approximately 45.7% in 2008, according to NBS, and is projected to increase to approximately 52.7% in 2013, according to Frost & Sullivan. The following chart sets forth the historical and projected urban population in the PRC for the period indicated.

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Urban Population in the PRC from 2001 to 2013



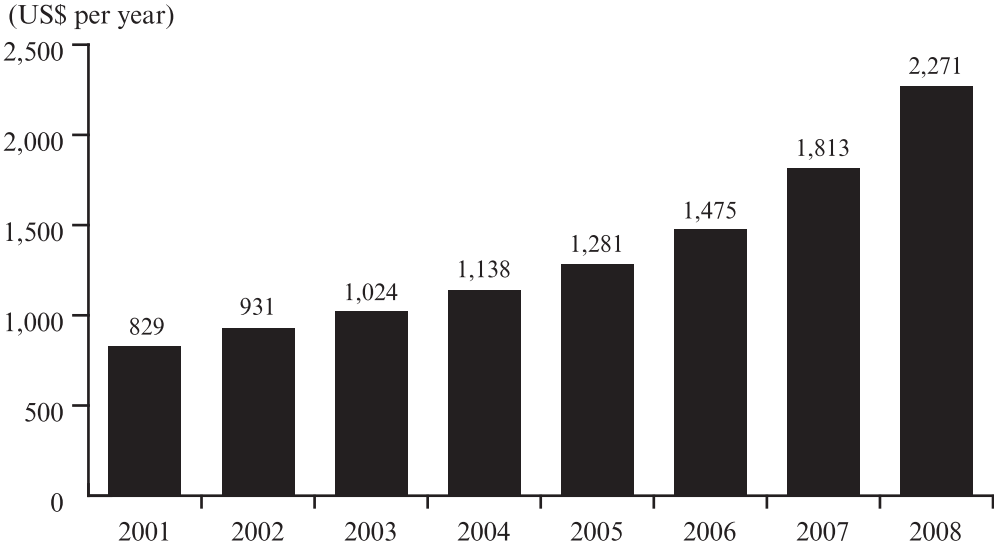
Source: NBS

† Forecast Numbers by Frost & Sullivan

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 NBS, the annual per capita disposable income of urban households in the PRC increased at a CAGR of approximately 15.5% from approximately US\$829 in 2001 to approximately US\$2,271 in 2008. The following chart sets forth the historical per capita annual disposable income of urban households in the PRC for the period indicated.

Per Capita Disposable Income of Urban Households in the PRC from 2001 to 2008



Source: NBS

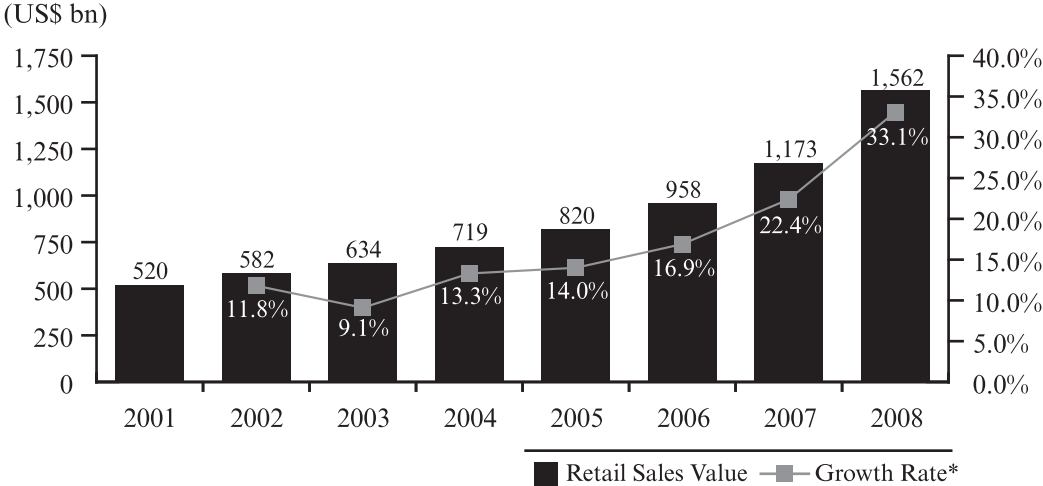
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STRONG RETAIL GROWTH AND CHANGING CONSUMPTION PATTERNS

Rising disposable income has spurred the development of the retail industry in the PRC. In the years 2001 to 2008, according to NBS, total retail sales of consumer goods grew at a CAGR of approximately 17.0%, which outpaced growth in urban disposable income. The following chart shows total retail sales of consumer goods and the growth rate for the period indicated.

Retail Sales of Consumer Goods and Growth Rate from 2001 to 2008



Source: NBS

* Growth rate is calculated by Frost & Sullivan based on the retail sales of consumer goods in US dollars.

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THE PRC MENSWEAR MARKET

The PRC menswear market, which includes business formal, casual wear and others including accessories, has expanded rapidly in recent years. According to Frost & Sullivan, total retail sales from menswear in the PRC increased from approximately US\$12.2 billion in 2001 to approximately US\$37.7 billion in 2008, representing a CAGR of approximately 17.5% during that period. Frost & Sullivan projects retail sales from menswear in the PRC to grow at a CAGR of approximately 17.4% annually between 2009 and 2013 to approximately US\$83.7 billion in 2013. China’s menswear market is highly fragmented. According to Frost & Sullivan, in 2008, the top 100 brands in the PRC held approximately 44.6% of the market share by retail sales, and the top ten brands only held approximately 20.3% of the market share by retail sales. The bottom 55.4% of the menswear market comprised of Small-scale Brands.

The 44.6% market share by retail sales of the top 100 brands in the PRC amounted to approximately US\$16.8 billion. Out of this US\$16.8 billion, approximately 29.9% was from sales by Luxury Brands, and approximately 70.1% was from sales by Mainstream Brands. The Mainstream Brands market itself is highly fragmented, and in 2008 the top ten brands only held approximately 29.41% of the market share. Within the Mainstream Brands market in 2008, according to Frost & Sullivan, our brand held a market share by retail sales of approximately 3.40%. The following chart shows our market share of the Mainstream Brands menswear market and that of our major competitors in 2007 and 2008. Our major competitors, including the top ten set out in the chart below, are all menswear brands with similar geographical and market segment coverage and which employ a similar distribution-oriented business model. For more information on competition, see “Business — Competition” in this document.

Market Share by Retail Sales in the Mainstream Brands Menswear Market in 2007 and 2008

Brand	2007	2008
Lilanz	2.67%	3.40%
Septwolves	2.65%	3.37%
Seven brand	2.37%	3.35%
Firs	2.18%	3.28%
K-boxing	2.10%	2.84%
Fordoo	2.57%	2.80%
Romon	2.45%	2.68%
Baoxiniao	1.87%	2.65%
Taizilong	2.56%	2.59%
Joe One	2.34%	2.45%
Subtotal of top 10 brands	23.76%	29.41%
Others	76.24%	70.59%
Total	100.00%	100.00%

Source: Frost & Sullivan

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In addition, according to Frost & Sullivan, we ranked top three among Mainstream Brands in the PRC menswear market in terms of the number of retail outlets in the PRC as at 31 December 2008. The table below illustrates the top five Mainstream Brands in the PRC menswear market in terms of the number of retail outlets in the PRC as of the period indicated.

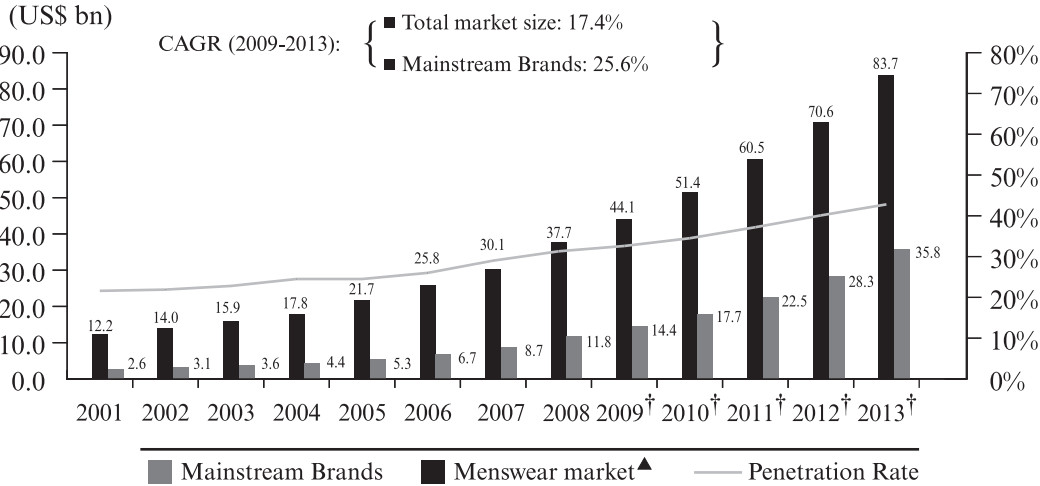
**Top Five Mainstream Brands in the PRC Menswear Market
(in terms of number of retail outlets in the PRC as of 31 December 2008)**

Brand	Retail Outlets (As of 31 December 2008)
K-boxing	3,200
Septwolves	2,769
Lilanz	2,492
Joe One	2,400
Seven brand	2,300

Source: Frost & Sullivan

Mainstream Brands have gained in overall penetration in the PRC menswear market, increasing their market share from approximately 21.6% in 2001 to approximately 31.3% in 2008, and are expected to reach approximately 42.8% by 2013, according to Frost & Sullivan. Growth in the market share of Mainstream Brands is partly due to stable increases in disposable income and a shift in consumption patterns from un-branded to branded products as consumers become more fashion conscious. The following chart sets forth the historical and projected menswear market size development trend for the period indicated.

Menswear Market Size Development Trend from 2001 to 2013



Source: Frost & Sullivan

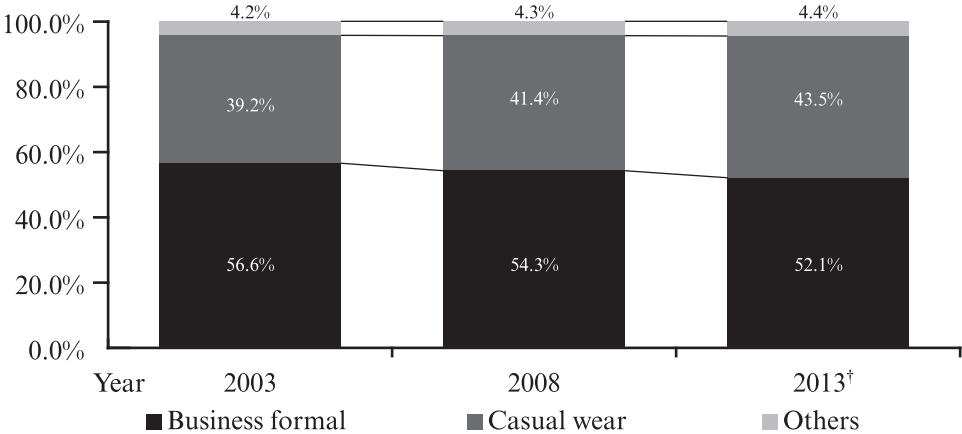
† Forecast numbers

▲ Includes Mainstream Brands, Luxury Brands and Small-scale Brands

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According to Frost & Sullivan, business formal historically have the largest share of the menswear market, comprising approximately 54.3% of the market in 2008. However, the business suit market is forecasted to slowly decline in the future, partly due to an increase in demand for casual wear (in particular, business casual wear) according to Frost & Sullivan. The casual wear share of the market increased from approximately 39.2% in 2003 to approximately 41.4% in 2008 and is forecasted to increase to approximately 43.5% of the overall menswear market by 2013 according to Frost & Sullivan. Casual wear provides consumers with more style choices to suit different occasions. Some business suit brands have switched their focus to casual wear in order to cater to changing consumer needs. The following chart sets forth the historical and projected menswear market structure development for the years indicated.

Menswear Market Structure Development in 2003, 2008 and 2013



Source: Frost & Sullivan

[†] Forecast numbers

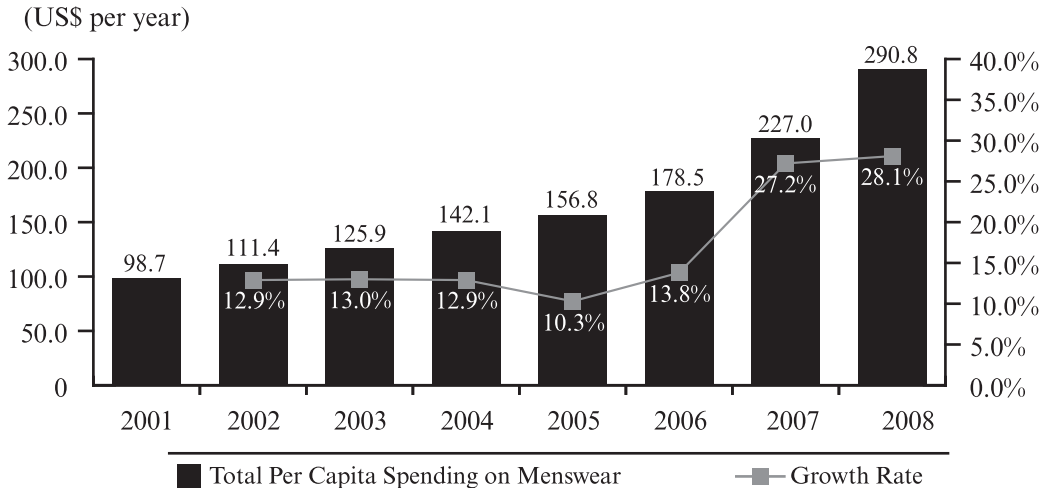
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INDUSTRY DRIVERS

Major factors contributing to the growth of the PRC menswear market include rapid economic growth, urbanisation, increases in disposable income and a shift in consumption patterns of increasingly affluent urban consumers in the PRC.

Total per capita spending on menswear has been increasing, growing from approximately US\$98.7 in 2001 to approximately US\$290.8 in 2008 at a CAGR of approximately 16.7%, according to Frost & Sullivan. The following chart sets forth the total per capita spending on menswear for the period indicated.

Total Per Capita Spending on Menswear from 2001 to 2008

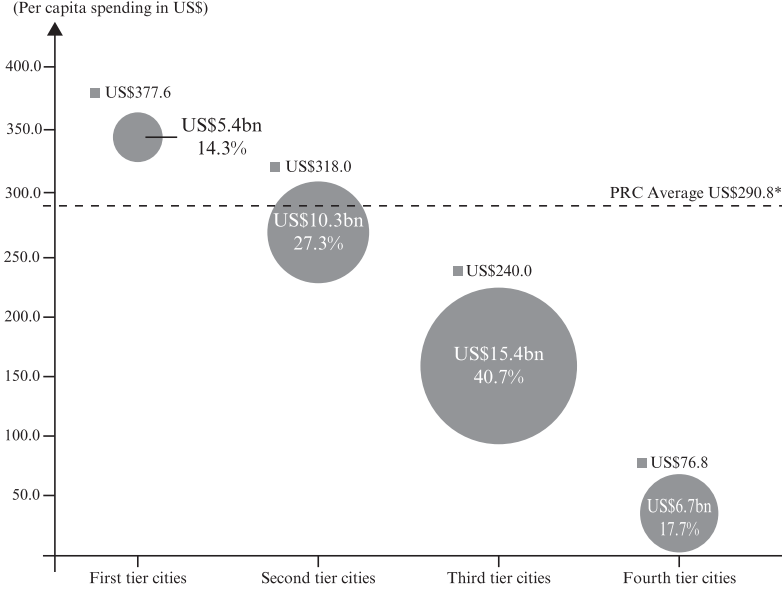


Source: Frost & Sullivan

Although third and fourth tier cities’ average per capita spending on menswear currently lags behind the average in the PRC, we believe that as industrialisation brings the migration of rural populations to urban areas and certain towns transform into cities, urban development and rising disposable income will stimulate demand for menswear products in these cities and expand the overall menswear market.

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Menswear Market Breakdown and Per Capita Spending by Market Tier in 2008

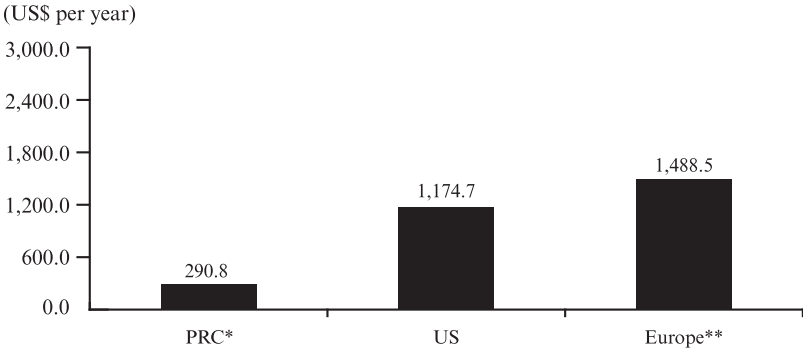


Source: Frost & Sullivan

* Per capita menswear consumption of urban population

In addition, per capita spending on menswear in the PRC is relatively low as compared to the US and European markets, due to lower levels of disposable income. While per capita spending on menswear varies from country to country based on consumer spending patterns, per capita spending on menswear in the US and Europe is significantly higher, at US\$1,174.7 and US\$1,488.5, respectively, approximately 4.0 times and 5.1 times the spending in the PRC. The following chart sets forth per capita menswear consumption comparison in 2008.

Per Capita Menswear Consumption Comparison in 2008



Source: Frost & Sullivan

Notes:

* Per capita menswear consumption of urban population

** “Europe” refers to the 15 countries in the European Union before the expansion on 1 May 2004.

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REPORTS COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company to conduct an analysis of, and to report on, the menswear market in the PRC for the period from 2001 to 2013. The report commissioned has been prepared by Frost & Sullivan independent of our influence. We paid Frost & Sullivan fees of US\$90,955, which we consider reflects market rates. Founded in 1961, Frost & Sullivan has 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. Based in the United States, it has been covering the Chinese market from its offices in China since the 1990’s.

The Frost & Sullivan’s report that we commissioned includes information on the PRC menswear market such as menswear retail sales value of overall and different market segments and menswear brand companies sales revenue, number of retailer stores, total menswear consumption, consumption per capita and other economic data, which have been quoted in this document. Frost & Sullivan’s independent research was undertaken through both primary and secondary research obtained from various sources within the PRC menswear industry. Primary research involved interviewing 50 leading industry participants from menswear brand companies and menswear retailers as well as industry experts, and 1,400 end-users in 24 first, second and third tier cities. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. Projected total menswear 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 increasing disposable income, level of brand awareness and product variety, mapped against available projected drivers obtained through interviews with industry experts and participants.