
INDUSTRY OVERVIEW

This section contains information and statistics relating to the Chinese economy and the industry in which we operate. We have derived such information and data partly from publicly available government official sources which have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any of their respective affiliates or advisers. Our Directors have taken reasonable care in the reproduction of such information. The information in such government official sources may not be consistent with the information compiled within or outside China. Investors should also note that we commissioned Frost & Sullivan to prepare an independent report on the children's apparel market of China. As confirmed by Frost & Sullivan, Frost & Sullivan is an independent provider of business intelligence on industries, countries and consumers. Industries in which Frost & Sullivan conducts research are wide-ranging and include clothing and footwear, personal and leisure goods and retailing. Founded in 1961, Frost & Sullivan has more than 40 offices around the world and has a team of more than 1,800 in-country analysts worldwide. We have paid a fee of US\$87,878 to Frost & Sullivan for the preparation of the independent report. We believe that the sources of the information extracted from Frost & 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. The information extracted from Frost & Sullivan report has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

FROST & SULLIVAN REPORT

As confirmed by Frost & Sullivan, their forecasting methodology has integrated several forecasting techniques with the market engineering measurement-based system. The forecasting methodology is a seven-step system shown as follows that maximizes the credibility and accuracy of the forecasts.

1. Market Engineering Research Process Completed

The market engineering research process provides the navigational measurements of current market position and trends, which become the basis of the forecast.

2. Measurements and Challenges Analyzed over Time

Measurements and challenges are analyzed over time to provide additional insights into their potential impact on the market size and development.

3. Identification of Market Drivers and Restraints

At this stage, the analyst specifies the factors that will drive the market forward in terms of revenues and determines the elements that will inhibit growth.

4. Expert-Opinion Integration with Analyst Team

The interview process includes a variety of industry experts, competitors and key customers. These experts' opinions on the direction of the market are integrated with the data and analysis already created.

INDUSTRY OVERVIEW

5. Forecasts Calculated

At this stage, analysts collect the market data needed to create the initial forecast scenarios. Each scenario is assessed to determine the most probable outcome for the market size. For example, the forecasts are matched to the leading economic indicators and drivers for each specific industry.

6. Delphi Technique Integration, If Needed

If data and forecast scenarios conflict, it becomes necessary to again discuss the market forecasts with the industry experts interviewed in the research process.

7. Quality Control within Research Department

Once the forecasts are integrated into the market section, they are verified by other team members in the industry research group, and the research director. The forecasts are also ensured for mathematical accuracy and internal consistency by the final review preparation department and the editing department.

RAPID GROWTH OF CHINA'S ECONOMY AND CONSUMER SPENDING POWER

Growth of China's economy

China's economy has expanded rapidly since the economic reform initiated by the Chinese government in the late 1970s. China's GDP had experienced double-digit growth from 2003 to 2007. In 2008 and 2009, despite the economic recession caused by the global financial crisis, China's real GDP grew still at 8.9% and 8.7%, respectively, compared with previous years. From 2000 to 2009, China's nominal GDP grew from RMB9,921 billion to RMB33,535 billion. As a result of the rapid growth of GDP of China, nominal GDP per capita of China has also increased from RMB7,858 in 2000 to RMB25,024 in 2009. The table below illustrates the increase of China's nominal GDP, real GDP growth rate and nominal GDP per capita from 2000 to 2009.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Nominal GDP										
(RMB billion)	9,921	10,966	12,033	13,582	15,988	18,322	21,192	25,731	30,067	33,535
Real GDP growth (%)	8.4	8.3	9.1	10.0	10.1	10.2	11.1	13.0	8.9	8.7
Nominal GDP per capita										
(RMB)	7,858	8,622	9,398	10,542	12,336	14,053	16,165	19,524	22,698	25,024

Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Accelerating urbanization trend and increasingly affluent urban residents

Urbanization has accelerated in China 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 2000 to 2009, the total urban population of China increased by approximately 163 millions and the urbanization rate in China increased by approximately 10.4%. By 2009, the total urban population of China was approximately 622 million and the urbanization rate was approximately 46.6%.

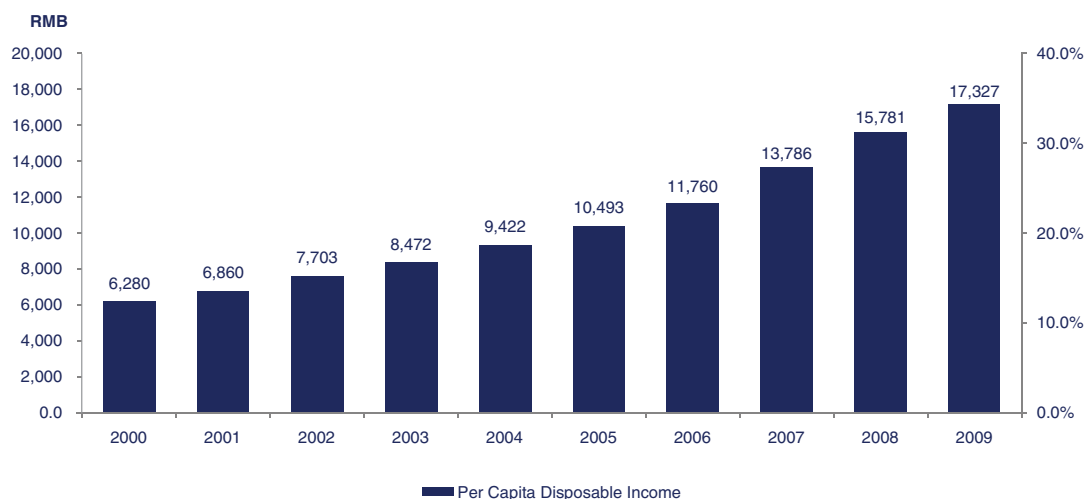
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	CAGR
Urban population (in millions) . .	459	480	502	524	543	562	577	594	607	622	3.4%
Total population (in millions) . .	1,267	1,276	1,285	1,292	1,300	1,308	1,315	1,321	1,328	1,335	0.6%
Urbanization rate (%)	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	45.7	46.6	

Source: National Bureau of Statistics of China

Per capita disposable income of urban households in China grew rapidly from RMB6,280 in 2000 to RMB17,327 in 2009. According to Frost & Sullivan, Engel's coefficient, or the proportion of income spent on food of urban households, in China also decreased from approximately 39.4% in 2000 to approximately 37.0% in 2009, indicating more disposable income has been spent on goods other than food. The growth in per capita disposable income of urban households may be an indication of an improvement in living standards and an increase in purchasing power.

The chart below illustrates the increase of per capita disposable income of urban households in China during 2000 and 2009.

Per Capita Disposable Income in China, 2000-2009



Source: National Bureau of Statistics of China

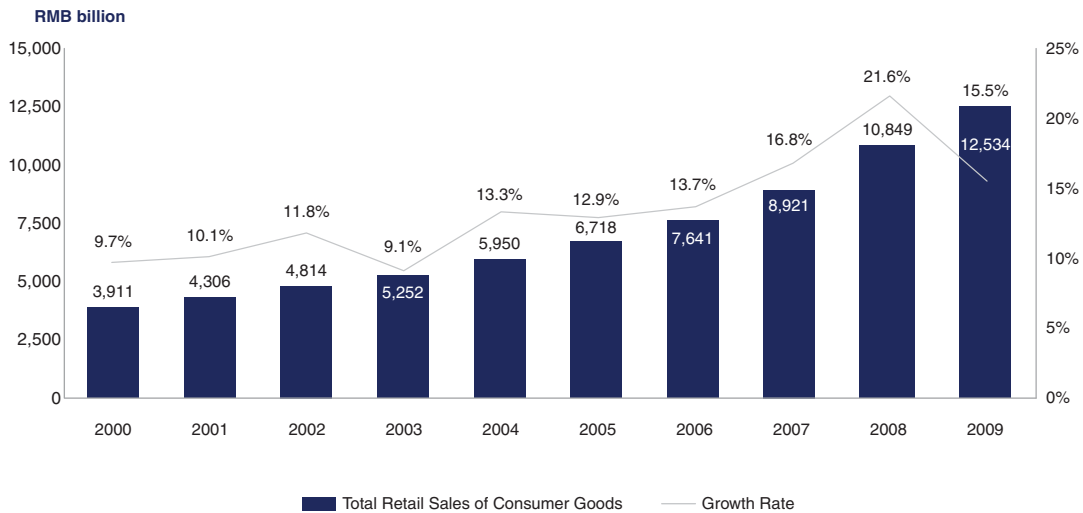
Substantial growth in China's retail market

China's market for consumer goods expanded rapidly in the past decade amid strong growth in China's GDP, growing disposable income of urban households and increasing affluence of urban residents. The total value of retail sales of consumer goods in China has grown from approximately

INDUSTRY OVERVIEW

RMB3,911 billion in 2000 to approximately RMB12,534 billion in 2009. The chart below illustrates the retail sales of consumer goods and its annual increase rate in China from 2000 to 2009.

Retail Sales of Consumer Goods in China, 2000-2009



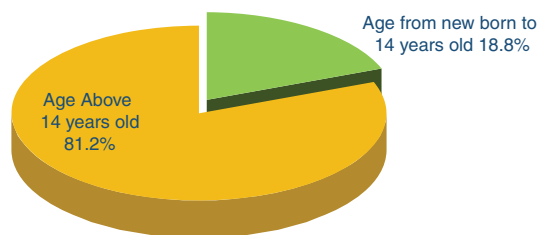
Source: National Bureau of Statistics of China

CHILDREN'S PRODUCT MARKET IN CHINA

Children's population in China

According to National Bureau of Statistics of China, China had a population of approximately 1,334.8 million in 2009, and the population of children aged from newborn to 14 years old represented approximately 18.8% in the total population of China in 2009. The chart below illustrates the demography of China's population by age in 2009.

Demography of China's Population by Age, 2009



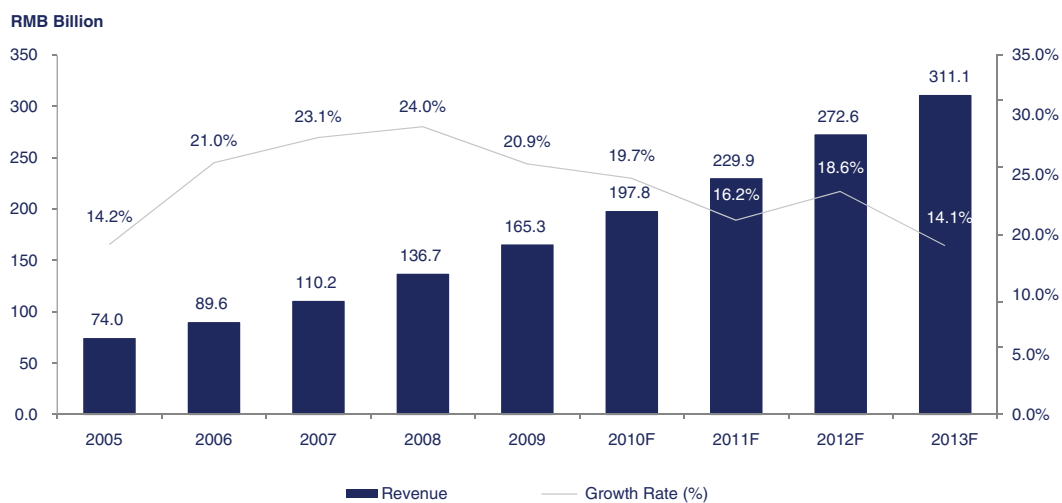
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

The fast-growing children's product market in China

With the fast-developing economy and sustained GDP growth in China, the children's product market in China grew substantially in the past few years according to data provided by Frost & Sullivan, from RMB74.0 billion in 2005 to RMB165.3 billion in 2009, representing a CAGR of 22.3%. In particular, the annual growth rate of the market for children's products has been more than 20% for each year from 2006 to 2009. The market for children's products is projected by Frost & Sullivan to grow to RMB311.1 billion in 2013, almost doubling the size of the market in 2009, representing a CAGR of 17.1% from 2009 to 2013. The chart below illustrates the actual and forecast revenue of children's product market in China and its annual growth rate from 2005 to 2013, based on data from Frost & Sullivan.

Revenue of Children's Products Market in China, 2005-2013F

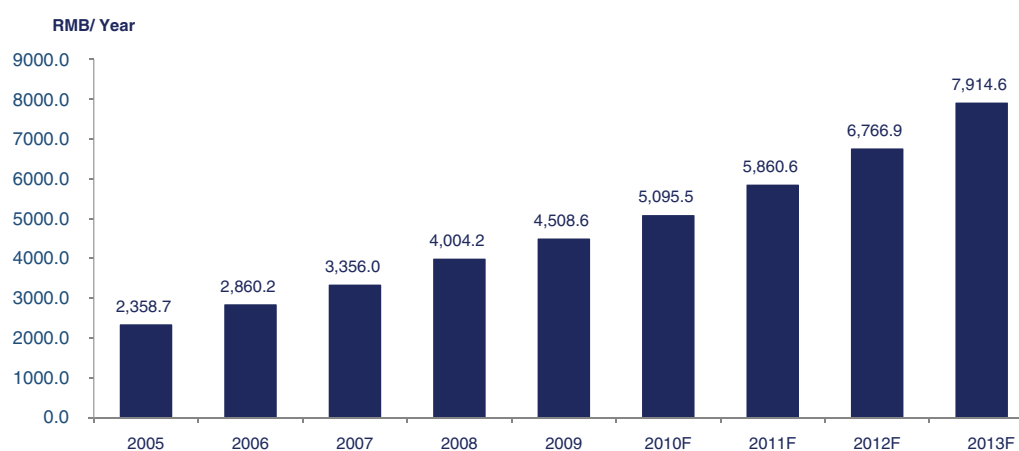


Source: Based on Frost & Sullivan Primary Research

INDUSTRY OVERVIEW

We believe that partially due to China's "one-child policy", families in China are willing to spend a significant proportion of their income on their children. According to Frost & Sullivan, the annual expenditure on children's products per urban household in China represents approximately 10% to 15% of each household's annual disposable income from 2005 to 2009. In addition, as a result of the increasing urban disposable income per household in China, the annual expenditure on children's products per urban household in China has been increasing steadily. Such expenditure has increased from approximately RMB2,358.7 per household in 2005 to RMB4,508.6 in 2009. According to Frost & Sullivan, the annual expenditure on children's products per household is expected to increase from a forecasted RMB5,095.5 in 2010 to RMB7,914.6 in 2013. The chart below illustrates the annual expenditure on children's products per urban household from 2005 to 2013.

Annual Expenditure on Children's Products per Urban Household in China, 2005-2013F



Source: Based on Frost & Sullivan Primary Research

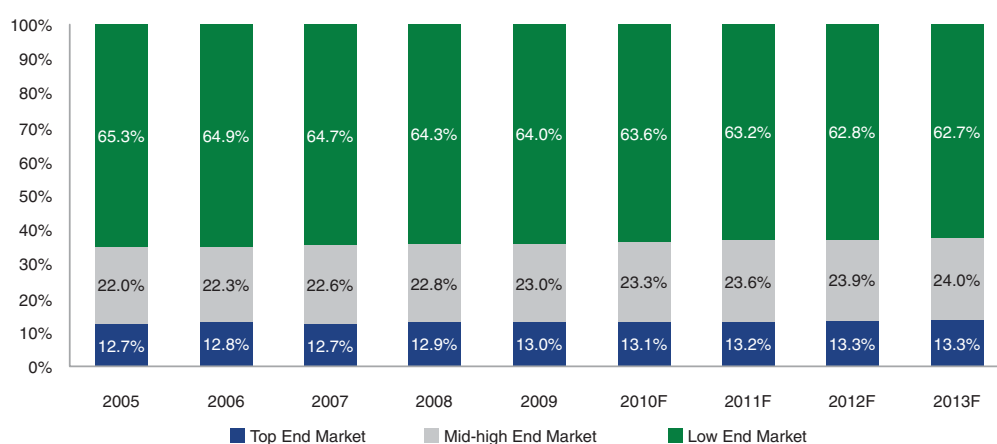
Sub-categories of children's product market

According to Frost & Sullivan, the children's product market can be subcategorized into top end children's product market, mid to high end children's product market and low end children's product market based on the price, materials, function, quality and design of children's products. Under Frost & Sullivan's system of classification, top end children's product market consists of children's products of higher prices, superior materials, brilliant functions, prominent quality and novel design. Mid to high end children's product market consists of children's products of medium prices, good materials, full functions, good quality and fair design. Low end children's product market consists of children's products of low prices, normal materials, normal functions, poor quality and design.

INDUSTRY OVERVIEW

According to Frost & Sullivan, revenue from mid to high end children’s product market, which was approximately RMB38.0 billion or approximately 23.0% of total revenue from children’s product market in 2009, is estimated to grow more rapidly than revenues from top end children’s product market and low end children’s product market as the disposable income of urban residents are expected to continue to grow. The changes in consumer habits and the increasing awareness of quality and reputation of children’s products may also have contributed to the increase of consumption of mid to high end children’s products. The revenue from mid to high end children’s product market is expected by Frost & Sullivan to grow from a forecasted RMB46.1 billion in 2010 to RMB74.7 billion in 2013, representing a CAGR of approximately 17.5%. The chart below illustrates the historical and forecast percentages of children’s product market in China categorized by top end, mid to high end and low end markets from 2005 to 2013.

**Children’s Product Market in China by Top end,
Mid to high End and Low end Markets,
2005-2013F**



Source: Based on Frost & Sullivan Primary Research

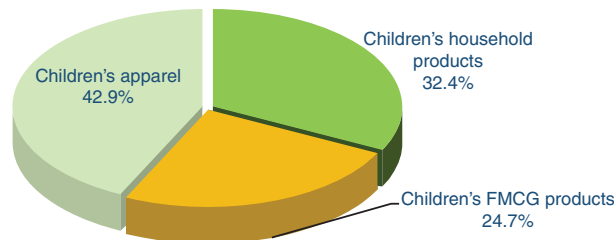
The generation born between 1980 and 1990 is expected to be a driver of consumption among the population in the coming years due to their stronger earning power and their different perception of consumption, in particular, the consumption on individual banking credits and the decline on personal savings. The increase of the level of disposable income among this young generation also lead to their purchase decisions becoming increasingly less driven by price and functionality, but more by brand image, product design and style, which also applies to the purchase of children’s products.

In addition, partly due to the various incidents related to product safety issues of China’s products, including children’s products, the quality of products is receiving increasing public attention in recent years in China. Compared with prior generations, today’s parents prefer and are more willing to purchase safe and high-quality children’s products, although such products may be more expensive.

INDUSTRY OVERVIEW

Children's products include children's apparel, children's household products and children's fast moving consumable goods. Children's apparel primarily consists of children's clothes, such as socks, coat, pairs, shoes and hat. Children's household products primarily consist of products usually used in children's daily life, such as children's furniture, strollers, car seats, toys, and bedding. Children's FMCG products primarily consist of products consumed large in daily life, such as feeding bottles, diapers, and skincare. According to Frost & Sullivan, revenue from children's apparel contributed approximately RMB70.9 billion to the total market revenue of children's products in China in 2009, occupying the largest portion, or approximately 42.9%, of the children's product market in China in 2009. Market revenue of Children's household products and children's fast moving consumable goods, or Children's FMCG products, were RMB53.5 billion and RMB40.8 billion, contributing approximately 32.4% and 24.7% of the children's product market of China in 2009, respectively, according to data provided by Frost & Sullivan. The chart below illustrates the revenue derived from each of children's apparel, children's household products and children's FMCG of children's product market in China in 2009.

Children's Product Market in China by Product Type, 2009



Source: Based on Frost & Sullivan Primary Research

Children's product by distribution channel in China

As the number one sales channel for children's products in China, department stores contributed the largest share of China's children's product market in 2009, representing approximately 40.1% of such market, according to data provided by Frost & Sullivan. Department stores are the most traditional distribution channel for children's products in China and according to Frost & Sullivan are the most suitable channel to distribute top and mid to high end children's products because a well-recognized department store may improve the brand image, which may further improve the sales of such brand.

According to Frost & Sullivan, independent stores are set up by manufacturers or wholesalers that provide a certain brand of products. Independent stores contributed 34.5% of total market of children's products in China in 2009.

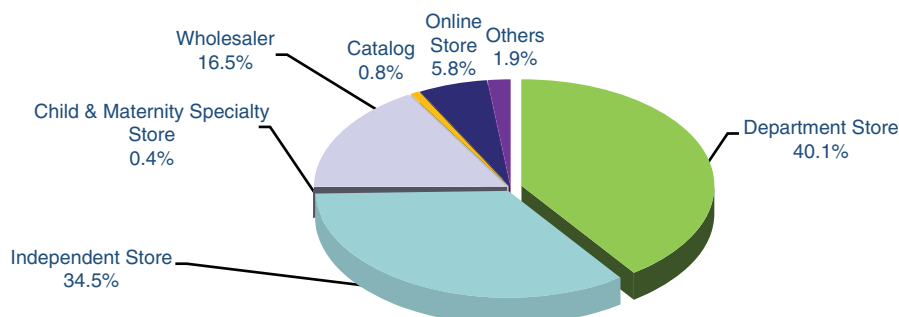
Child and maternity specialty stores are new emerging channels for distributing children's products according to Frost & Sullivan. Many manufacturers and retailers consider this channel as most potential sales channel in the future because the child & maternity specialty stores offer a wider range of products, improving convenience for shoppers.

Online stores are increasingly popular for the distribution of children's products. According to Frost & Sullivan, though it only occupied 5.8% children's product market's total revenue in 2009, the convenience is highly praised by young parents.

INDUSTRY OVERVIEW

The chart below illustrates various sales channels and their respective contribution to children's product market in China in 2009.

Channel Contribution to Children's Product Market in China, 2009



Source: Based on Frost & Sullivan Primary Research

Competitive Landscape of Mid to High End Children's Product Market in China

According to Frost & Sullivan, while China's children's products industry is fragmented, its mid to high end segment is comparatively concentrated. The following chart sets forth the revenue and market share of each of the top ten children's products companies of mid to high end children's product market in 2009.

Top Ten Companies of Mid to High End Children's Product Market in China, 2009

Rank	Company	Revenue (RMB Million)	Market Share in Mid-High End Market
1	Boshiwa 博士蛙	630	4.0%
2	Beingmate 貝因美	530	3.9%
3	Annil 安奈爾	490	3.3%
4	Coctree 棵棵樹	450	3.1%
5	Shinema 神馬	400	2.9%
6	Hengan 恒安	354	2.8%
7	Xinzhonghua 新中華	350	2.7%
8	Yixiu 一休	336	2.4%
9	Mybaby 媽咪寶	325	2.4%
10	Ivory 帝爾特	200	1.5%

Note: Value added tax is not included in the revenue. Boshiwa's revenue figures are provided by the Company.

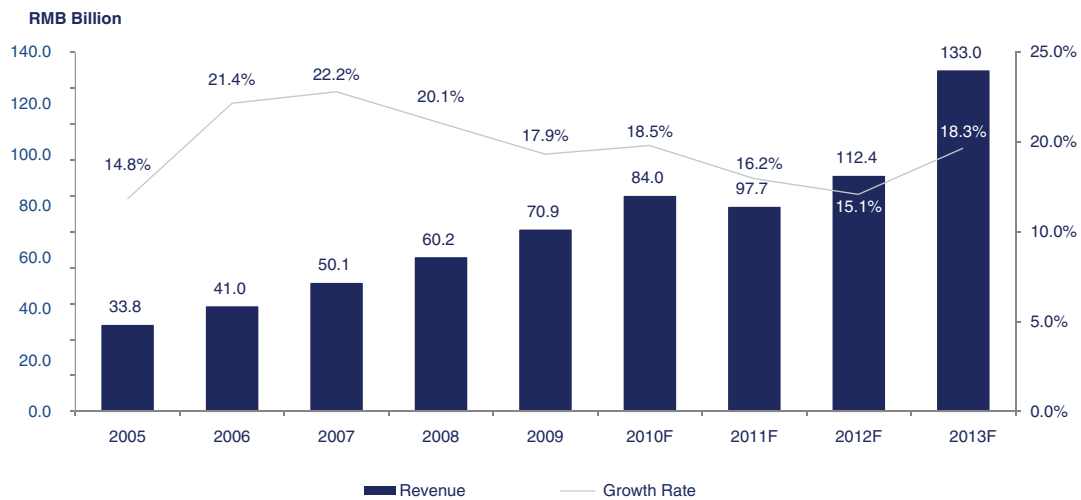
Source: Based on Frost & Sullivan Primary Research

INDUSTRY OVERVIEW

CHILDREN'S APPAREL MARKET IN CHINA

According to Frost & Sullivan, the children's apparel market in China has experienced significant growth in recent years increasing from RMB33.8 billion in 2005 to RMB70.9 billion in 2009, representing a CAGR of 20.4%. In the period from 2010 to 2013, Frost & Sullivan expects market revenue for children's apparel products to grow at a CAGR of 16.6%, reaching RMB133.0 billion in 2013. The chart below illustrates the actual and forecast children's apparel market and the growth rate of such market in China during 2005 and 2013.

Revenue of Children's Apparel Market in China, 2005-2013F



Source: Based on Frost & Sullivan Primary Research

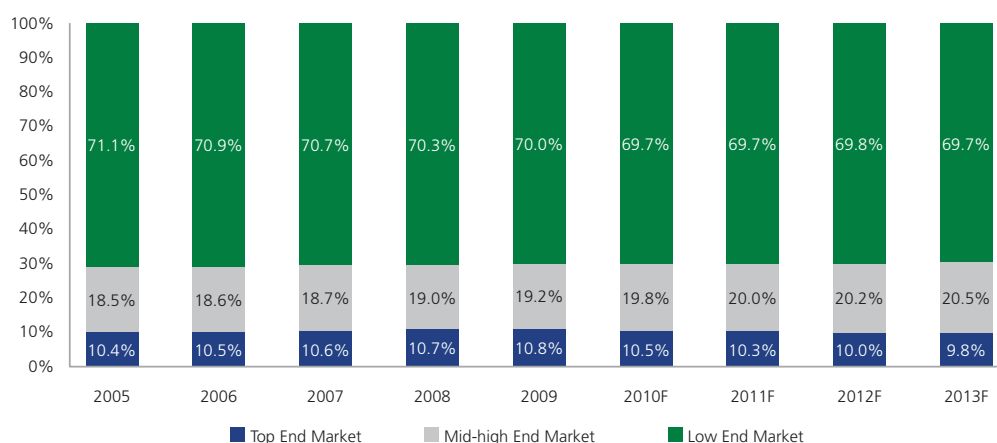
According to Frost & Sullivan, children's apparel market can be subcategorized into top end children's apparel market, mid to high end children's apparel market and low end children's apparel market. According to Frost & Sullivan, based on its primary interviews with major market players, it is generally accepted that top end children's apparel market segment is defined by winter clothes with retail prices above RMB600 and other apparel with retail prices above RMB300; mid to high end market segment is defined by winter clothes with retail prices within the range of RMB200 to RMB600 and other apparel with retail prices between RMB100 and RMB300; and low end market segment is defined by winter clothes with retail prices below RMB200 and other apparel with retail prices below RMB100.

According to Frost & Sullivan, the mid to high end children's apparel market is estimated to grow more rapidly than top end and low end children's apparel markets, with an estimated CAGR of approximately 18.9% from 2009 to 2013. The market share of mid to high end children's apparel market accounted for 18.8%, 19.0% and 19.2% of the total children's apparel market in China in 2007, 2008 and 2009, respectively, according to data provided by Frost & Sullivan.

INDUSTRY OVERVIEW

According to Frost & Sullivan, revenue from mid to high end children's apparel market was approximately RMB13.6 billion in 2009 and contributed approximately 19.2% of the total revenue of children's apparel market in 2009. From 2009 to 2013, Frost & Sullivan expects revenue from children's mid to high end apparel market to grow at a CAGR of 18.9%, which is higher than the growth rate of revenues from top end children's apparel market and low end children's apparel market because mid to high end children's apparel market provides quality apparel at a reasonable price level. The chart below illustrates the revenue from children's apparel market by market level in China from 2005 to 2013.

Revenue of Children's Apparel Market by Market Level in China, 2009



Source: Based on Frost & Sullivan Primary Research

The following chart sets forth the revenue from children's apparel of each of the top ten children's product companies and their respective market share in the mid to high end children's apparel market in 2009.

Top Ten Companies of Mid to High End Children's Apparel Market in China, 2009

Rank	Company	Revenue (RMB Million)	Market Share in Mid to High End Market
1	Boshiwa 博士蛙	569	7.7%
2	Annil 安奈爾	490	7.6%
3	Coctree 棵棵樹	450	7.3%
4	Yixiu 一休	336	5.6%
5	S.X.King 生肖王	250	4.0%
6	Ivy House 常青藤	250	3.8%
7	Gummy Star 橡膠星	250	3.6%
8	Yaduo 雅多	230	3.7%
9	Labi 拉比	70	1.0%
10	Topnew 銅牛	45	0.8%

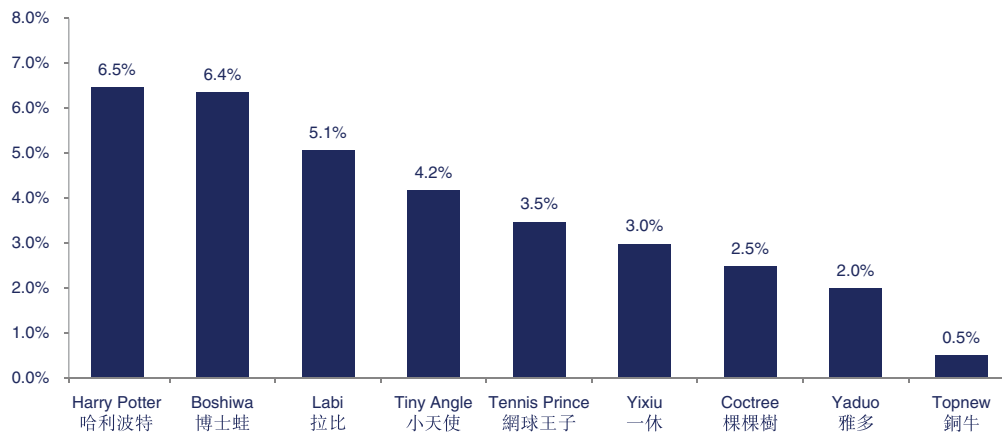
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Source: Based on Frost & Sullivan Primary Research

INDUSTRY OVERVIEW

In April 2010, Frost & Sullivan conducted a market survey commissioned by us. Based on Frost & Sullivan's face-to-face interviews with 1,993 respondents in April 2010 in 12 major cities across China, these respondents included three experts in children's product or apparel market, our 30 competitors, 1860 normal end-users and our 100 customers. The following chart sets forth the ranking of brand awareness of companies in mid to high end children's apparel market.

Brand Awareness of Mid to High End Children's Apparel Market in China, 2009



Source: Based on Frost & Sullivan Primary Research

Note: Brand awareness is defined as awareness of brands mentioned first when being asking of children's apparel brands.

See "Business—Competition" and "Risk Factors—Risks relating to the Children's Product Industry" for additional information about our industry.