
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 and other third-party sources which have not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, any of the Underwriters or any of their respective affiliates or advisers. Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside China. We commissioned Frost & Sullivan, an independent market research firm, as an industry consultant to prepare an industry research report, the Frost & Sullivan Report. Frost & Sullivan has over 50 years of industry experience and more than 40 offices around the world. We believe the sources of the information in this section 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 part has been omitted that would render such information false or misleading.

Unless otherwise indicated, information and statistics relating to the global and PRC indoor sportswear industry in this and other sections of this Prospectus have been derived from the Frost & Sullivan Report.

FROST & SULLIVAN REPORT

The Frost & Sullivan Report we commissioned includes information on China's indoor sportswear industry, such as ex-factory revenue, market share and ranking of brand companies, total indoor 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 China's indoor sportswear industry. Primary research involves interviewing leading industry participants, such as indoor sportswear manufacturers and industry associations. Secondary research involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. The total consideration for Frost & Sullivan's commission amounts to RMB618,000.

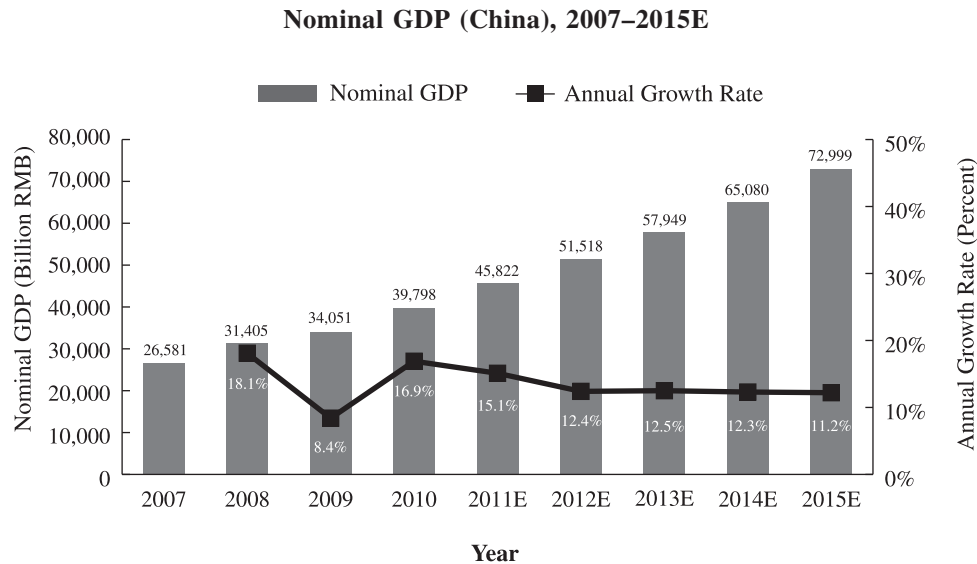
According to Frost & Sullivan, the majority of indoor sportswear manufacturers conduct both wholesales through distributors and direct retail sales at varying ratios. In wholesales through distributors, indoor sportswear manufacturers sell their products at ex-factory prices, whereas the same products are sold at marked-up retail prices in direct retail sales to end-consumers. In order to ensure the comparability of sales information among indoor sportswear manufacturers, Frost & Sullivan has chosen to report market size and market share information in terms of ex-factory revenue, which it believes better represents the value of the goods that the manufacturers produced. For each manufacturer, its ex-factory revenue consists of its revenue generated from wholesales to distributors and, if applicable, its direct retail sales revenue discounted by the wholesale discount given by the manufacturer to distributors. Unless otherwise indicated, all market size information below refers to domestic ex-factory revenue in China, and export sales are not included.

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RAPID ECONOMIC GROWTH IN CHINA

Growth of China's Economy

China is one of the world's fastest growing economies. China's nominal gross domestic product, or GDP, increased from approximately RMB26,581 billion in 2007 to approximately RMB39,798 billion in 2010, representing a CAGR of 14.4%. In 2008 and 2009, despite the impact of the economic recession caused by the global financial crisis, China's nominal GDP increased by 18.1% and 8.4%, respectively, from the year before. The International Monetary Fund, or IMF, predicts that, with favorable government policies and global economic recovery, China's nominal GDP will reach approximately RMB72,999 billion by 2015, representing a CAGR of 12.9% in RMB from 2010 to 2015. The following chart sets forth the historical and projected nominal GDP of China from 2007 to 2015:



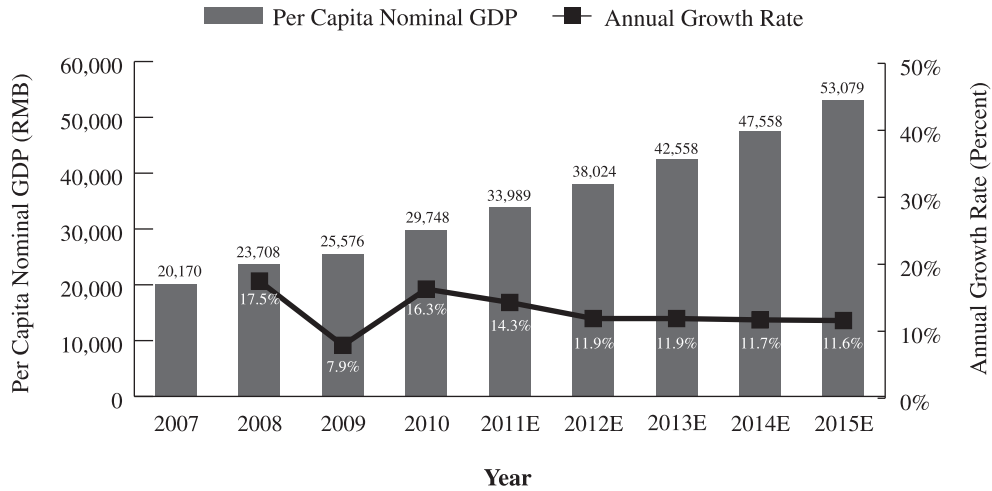
Note: All data has been rounded.

Source: Historical data is from the National Bureau of Statistics of China. Projected data is from the International Monetary Fund. The base year for the projected data is 2010.

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With the rapid development of the Chinese economy, per capita nominal GDP has also grown quickly, from RMB20,170 in 2007 to RMB29,748 in 2010, representing a CAGR of 13.8%. Per capita GDP is forecasted to reach RMB53,079 in 2015, at a CAGR of 12.3% from 2010 to 2015. The following chart sets forth the historical and projected per capita nominal GDP of China from 2007 to 2015:

Per Capita Nominal GDP (China), 2007–2015E



Note: All data has been rounded.

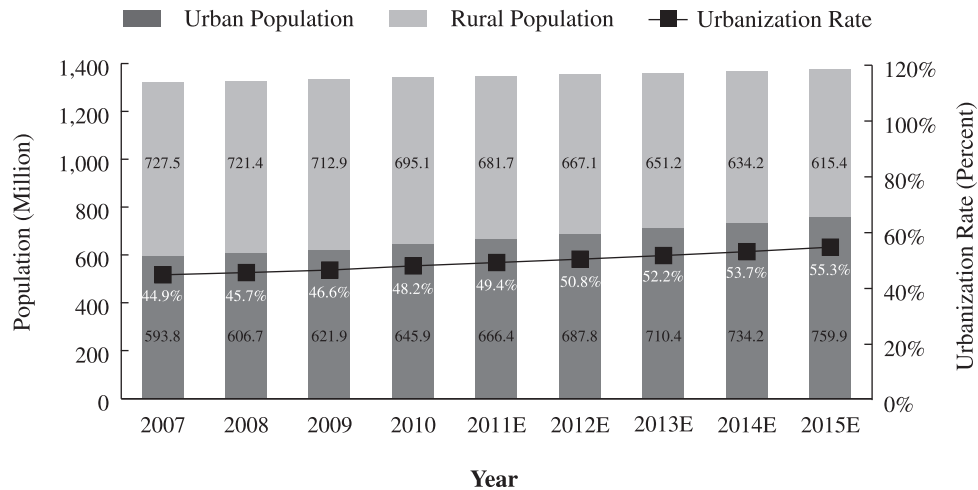
Source: Historical data is from the National Bureau of Statistics of China. Projected data is from the International Monetary Fund. The base year for the projected data is 2010.

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Growth of Urban Populations

The economic growth of China has been accompanied by rapid urbanization. Populations in large urban cities have increased with the influx of people from rural and less developed areas. From 2007 to 2010, the total urban population increased from 593.8 million to 645.9 million and the urbanization rate increased from 44.9% to 48.2%. The urban population is expected to reach 759.9 million by 2015, achieving an urbanization rate of 55.3%. This trend in urbanization, along with the large population base, is anticipated to create an attractive consumer group both in size and in purchasing power. The chart below illustrates the historical and projected urbanization trend in China from 2007 to 2015:

Population and Urbanization (China), 2007–2015E



Note: All data has been rounded.

Source: Historical data is from the National Bureau of Statistics of China. Projected data on total population is from the International Monetary Fund; projected data on urban population is from Frost & Sullivan. The base year for the projected data is 2010.

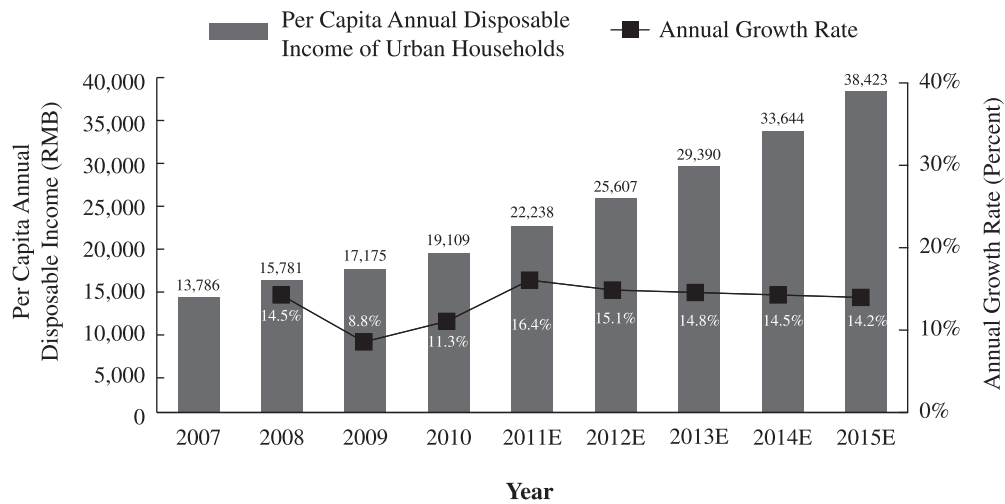
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STRONG GROWTH IN DISPOSABLE INCOME AND RETAIL SALES IN CHINA

Growth in Disposable Income of Urban Households in China

As a result of China's rapid economic growth, income levels of urban households have witnessed tremendous growth. From 2007 to 2010, the per capita annual disposable income of urban households increased from RMB13,786 to RMB19,109, representing a CAGR of 11.5%. Given the expected continued growth of China's economy, the per capita annual disposable income of urban households is estimated to reach RMB38,423 by 2015, representing a CAGR of 15.0% from 2010 to 2015. The chart below illustrates the historical and projected increase in per capita disposable income of urban households in China from 2007 to 2015:

Per Capita Annual Income of Urban Households (China), 2007–2015E



Note: All data has been rounded.

Source: Historical data is from the National Bureau of Statistics of China. Projected data is from Frost & Sullivan. The base year for the projected data is 2010.

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Substantial Growth in China's Retail Market

China's market for consumer goods has been expanding rapidly amid strong growth in China's GDP, rapid urbanization and increasing disposable income of urban households. Consumer spending, as measured by the total value of retail sales of consumer goods, has grown from approximately RMB9.4 trillion in 2007 to RMB15.7 trillion in 2010, representing a CAGR of 18.6%. According to Frost & Sullivan, consumer spending in China is expected to further increase to RMB32.8 trillion in 2015 to achieve a CAGR of 15.9% from 2010 to 2015. The chart below illustrates the historical and projected retail sales of consumer goods and their annual growth rates in China from 2007 to 2015:

Total Retail Sales of Consumer Goods (China), 2007–2015E



Note: All data has been rounded.

Source: Historical data is from the National Bureau of Statistics of China. Projected data is from Frost & Sullivan. The base year for the projected data is 2010.

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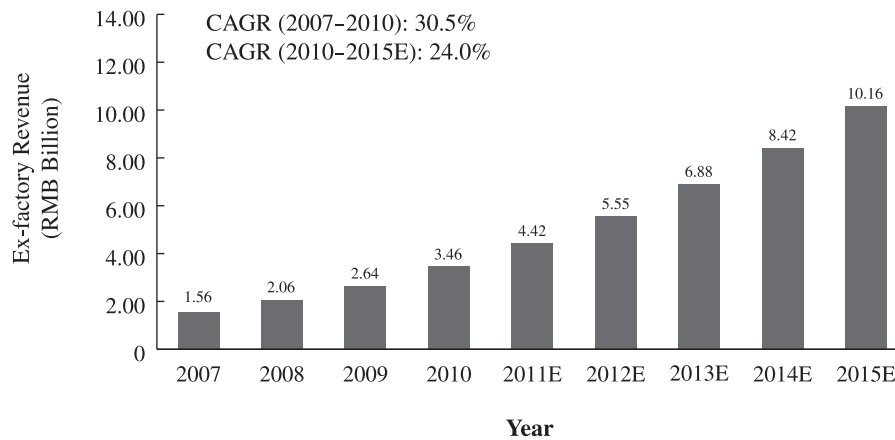
THE INDOOR SPORTSWEAR INDUSTRY

Overview

The indoor sportswear industry consists of swimwear, fitness wear and sports underwear sectors, which share a high degree of similarity in their manufacturing techniques and consumer group. All three sectors of swimwear, fitness wear and sports underwear frequently adopt flexible and highly stretchable fibers to produce tight-fitting active wear for people who exercise in fitness gyms and other locations for indoor sports activities, such as indoor swimming pools. Therefore, although swimming is an activity that could be carried out both outdoors and indoors, it is a common industry practice for manufacturers of indoor sportswear products to include swimwear as an essential component of their business.

The indoor sportswear industry has developed rapidly in recent years in China, with a CAGR of 30.5% from 2007 to 2010. The Chinese indoor sportswear market achieved revenue of RMB3.46 billion in 2010. According to Frost & Sullivan, the indoor sportswear market is expected to reach RMB10.16 billion by 2015, representing a CAGR of 24.0% from 2010 to 2015. The following chart sets forth the historical and projected total indoor sportswear ex-factory revenue from 2007 to 2015:

Indoor Sportswear Market: Ex-factory Revenue (China), 2007–2015E

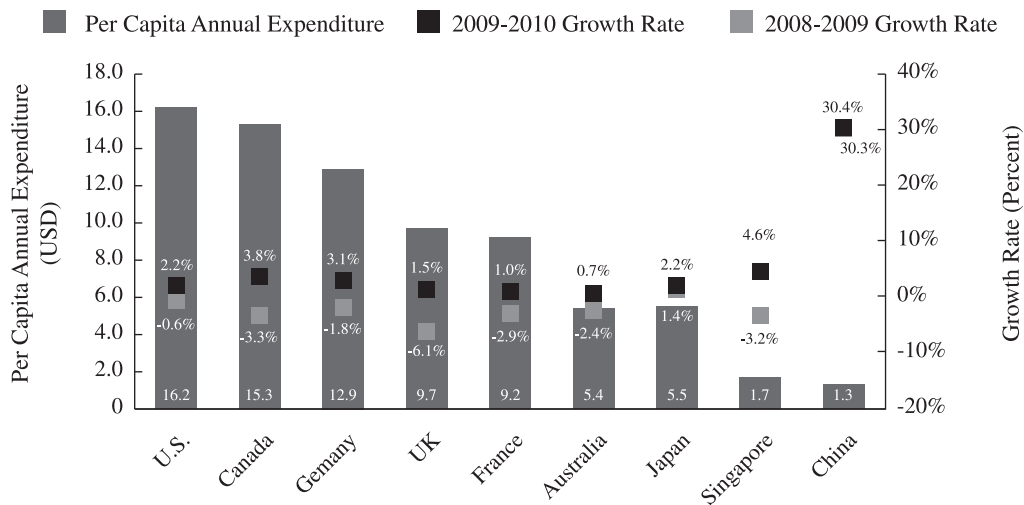


Source: Frost & Sullivan

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The growth potential of the indoor sportswear market in China is further demonstrated by the rapidly growing total indoor sportswear expenditure per capita. According to Frost & Sullivan, although the total indoor sportswear expenditure per capita in China was approximately US\$1.3 in 2010 and much lower than such expenditure in other countries, the annual per capita expenditure on indoor sportswear increased at the tremendous speed of 30.4% from 2009 to 2010 in China, while most developed economies experienced substantially slower growth. From 2008 to 2009, the annual per capita expenditure on indoor sportswear in China increased by 30.3%, while several countries experienced negative growth as a result of the global financial crisis. The following chart sets forth the total indoor sportswear expenditure per capita in 2010 and its growth rate over 2009 for China and various other countries:

**Indoor Sportswear Market: Annual Per Capita Expenditure
(Selected Countries), 2010**



Source: Frost & Sullivan

Domestic and foreign brands compete in China's indoor sportswear industry. While the industry consists of a large number of players due to its attractive growth opportunities, the top few brands in each market sector account for a considerable amount of the market share. According to Frost & Sullivan, the top five brands in the swimwear, fitness wear and sports underwear market sectors accounted for 15.0%, 12.8% and 43.0% of the total domestic ex-factory sales in their respective sectors in 2010, and our Hosa™ brand ranked first in all three sectors.

Being one of the world's fastest growing economies, China has achieved strong growth for both nominal GDP and its urban households' disposable income from 2007 to 2010, which are expected to continue growing over the forecasted period. According to Frost & Sullivan, China has been one of the countries least affected by the global financial crisis and the positive macroeconomic factors in China provide a healthy business environment as well as consumer confidence in spending on items other than food and essentials. The increasing exposure of Chinese consumers to the western lifestyle, which places great emphasis on health and exercise, has been driving domestic demand for sportswear. The initiatives of national and local tourism authorities to promote sport activities for a healthier population are also an important driver for the general prosperity of the sports industry.

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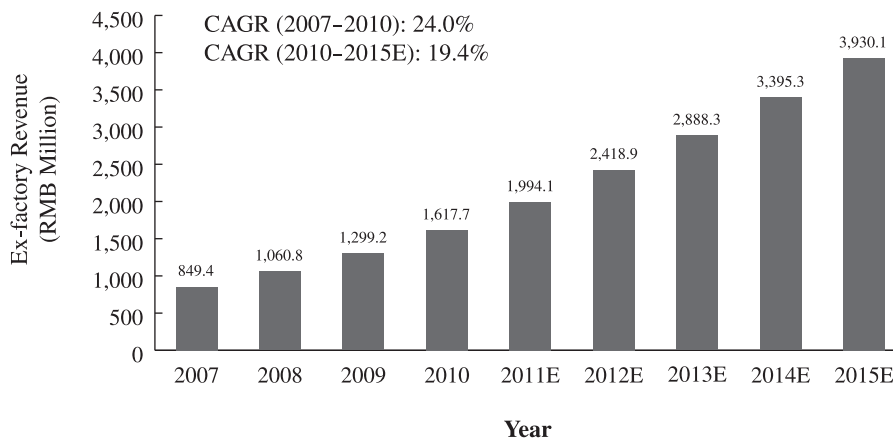
Sales and Distribution Channels

Indoor sportswear manufacturers engage in wholesales distribution as well as direct sales to end-consumers. Under the wholesales distribution model, distributors or franchisers purchase products from manufacturers at a discounted wholesale price and distribute such products to sub-distributors and end-consumers. This channel is widely used by manufacturers, who take advantage of the wholesale distribution model to achieve larger sales coverage, especially in second- and third-tier cities, or to explore new business regions. In direct sales, by comparison, manufacturers directly place their products for sales to end-consumers through sales terminals, such as self-owned shops and self-operated concessionary retail outlets. Direct sales tend to enable tighter control and management of sales terminals. Some indoor sportswear manufacturers conduct both direct retail sales and wholesales distribution at different ratios.

The Swimwear Market Sector

The swimwear market sector accounted for 46.7% of the indoor sportswear market in China in 2010. Swimwear refers to a type of apparel designed particularly for leisure or competitive aquatic activities. Swimwear products include swimsuits as well as related accessories, such as goggles and swim caps, for men, women and children. China's swimwear market grew from RMB849.4 million in 2007 to RMB1,617.7 million in 2010, at a CAGR of 24.0% from 2007 to 2010. Such growth has been mainly attributable to ongoing urbanization, rising standards of living and purchasing power in China as well as the boom of China's sports industry following the 2008 Olympic Games, which have driven the increase in both the sales volume and unit price of swimwear products. According to Frost & Sullivan, the swimwear market sector in China is expected to reach RMB3,930.1 million by 2015, representing a CAGR of 19.4% from 2010 to 2015. The chart below illustrates the historical and projected ex-factory domestic revenue for the swimwear sector in China from 2007 to 2015:

Chinese Swimwear Market: Ex-factory Revenue in Domestic Market (China), 2007–2015E



Source: Frost & Sullivan

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Competitive landscape

Our *Hosa*TM brand is the leading brand name for swimwear in China, capturing the largest market share among all domestic and multinational swimwear brands in China in 2010. The following chart sets forth the market share of each of the top five swimwear brands in China in 2010:

China's Swimwear Market: Top Five Brands by Domestic Ex-factory Revenue⁽¹⁾ in 2010

<u>Ranking</u>	<u>English Brand Name</u>	<u>Chinese Brand Name</u>	<u>Brand Origin⁽²⁾</u>	<u>Market Share</u>
1	Hosa	浩沙	China	6.1%
2	Arena	阿瑞娜	France	2.6%
3	Zoke	洲克	China	2.4%
4	Speedo	速比濤	The U.S.	2.3%
5	Heatwave	熱浪	Taiwan	1.6%

Total Ex-factory Revenue of Top Five Brands

15.0%⁽³⁾

Notes:

- (1) Ex-factory revenue from accessories was included in the calculation of total ex-factory revenue for all brands listed above except Hosa.
- (2) Brand origin refers to the country or region where the brand was first registered.
- (3) Market share for the top five brands is calculated based on the total domestic ex-factory revenue of the top five brands divided by the total ex-factory revenue of China's swimwear market, and may differ from the sum of the individual market shares of the top five brands due to rounding.

Source: Frost & Sullivan

The principal bases of competition for swimwear brands are distribution channels, price and quality, brand recognition and product functionality and design. According to Frost & Sullivan, competition is relatively high in the Chinese swimwear market, as manufacturers with strong competitive edge, brand recognition and products of agreeable quality are abundant. A small number of well established suppliers are the market leaders with respect to positive brand image, sales channels, mid-to-high end market share and professional product offerings, which are considerable barriers to entry for new enterprises who wish to establish a sound brand name or compete in the mid-to-high end segment.

Market segmentation

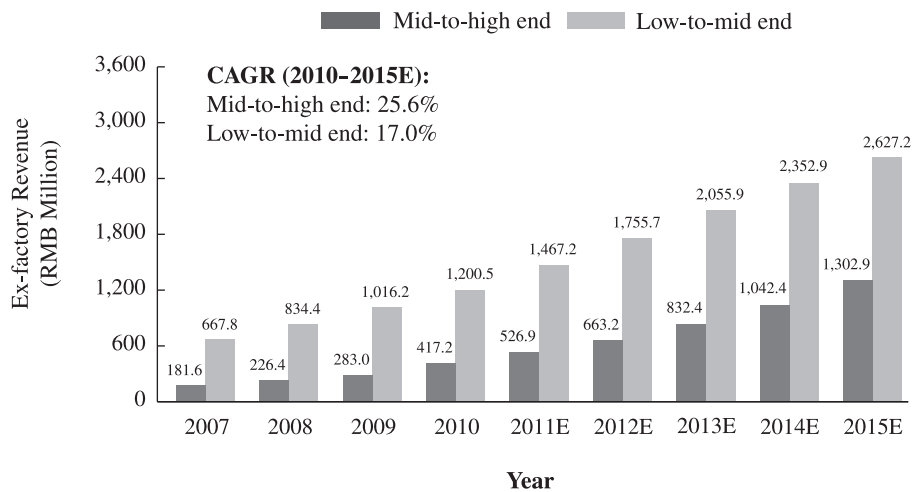
According to Frost & Sullivan, the swimwear market sector in China can be segmented into mid-to-high end and low-to-mid end markets based primarily on the retail label price of women's swimwear products. Such parameter was employed for swimwear market segmentation in order to exclude any bias that may be caused by price gaps between different products in the swimwear market, namely men's

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swimwear, women’s swimwear and children’s swimwear, which vary considerably in retail label price. The mid-to-high end segment mainly includes brands whose majority of women’s swimwear products had retail label prices of above RMB295 per set in 2010. Mid-to-high end swimwear brands in China include Hosa™, Arena, Zoke, Speedo and Heatwave, among others. The low-to-mid end swimwear segment, in which the retail label price for the majority of women’s swimwear products fell below RMB295 per set in 2010, is mainly composed of local brands.

The chart below illustrates the historical and projected ex-factory revenue of swimwear brands by market segments:

China’s Swimwear Market Segmentation, 2007–2015E

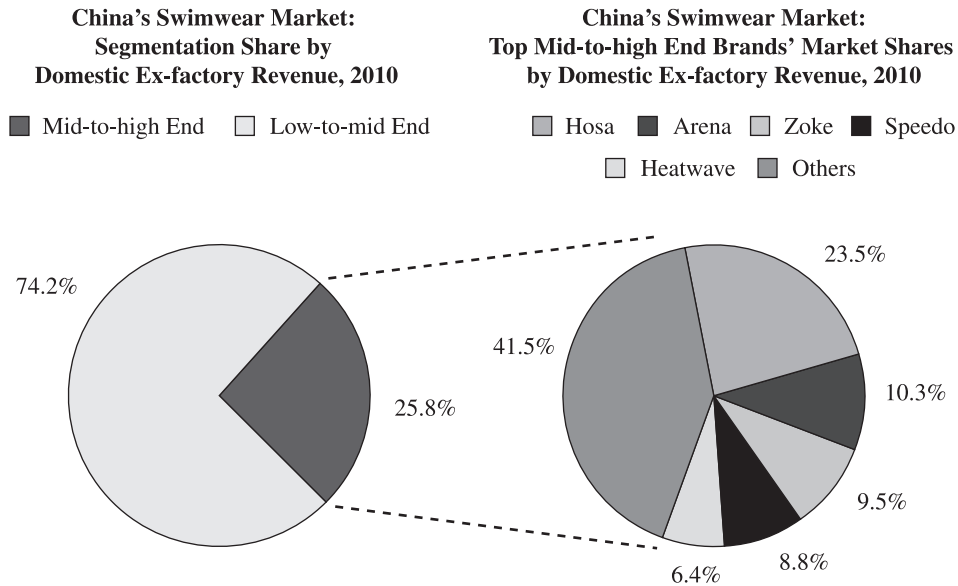


Source: Frost & Sullivan

In 2010, the mid-to-high end market segment contributed to 25.8% of all swimwear sales. As standards of living and health awareness continue to rise for Chinese consumers, indoor aquatic facilities are expected to be increasingly available within urban community establishments and at vacation resorts and the demand for mid-to-high end swimwear is expected to rise rapidly. The mid-to-high end swimwear segment is forecasted to grow at a CAGR of 25.6% from 2010 to 2015. By comparison, the low-to-mid end segment is forecasted to achieve a CAGR of 17.0% over the same period.

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Our *Hosa*TM brand accounted for 23.5% of the mid-to-high end swimwear market in China in 2010. The charts below illustrate the share of the mid-to-high end segment in China's swimwear market as well as the market shares of mid-to-high end swimwear brands in 2010:



Note: Ex-factory revenue from accessories was not included in the calculation of total ex-factory revenue for Hosa.

Source: Frost & Sullivan

Growth drivers

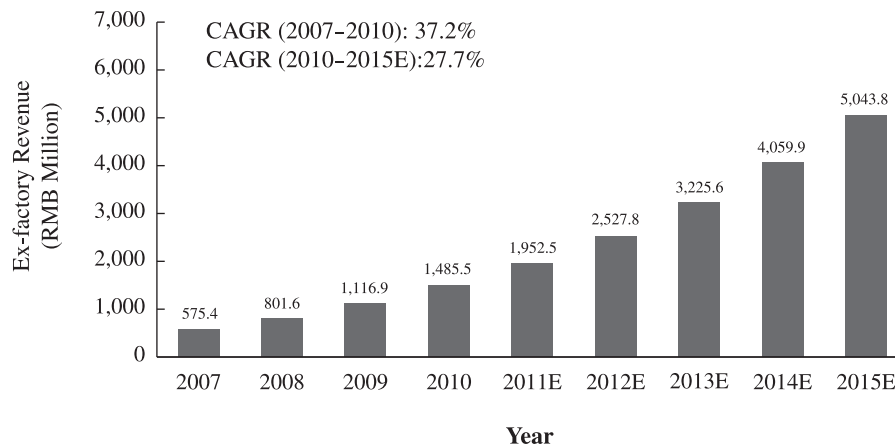
For the swimwear market sector, rising standards of living and increasing urbanization in China are expected to be its primary drivers in the next five years. As standards of living in China continue to rise, there has been rising health awareness and a growing demand for leisure activities among Chinese consumers. The number of sports and recreational facilities, fitness gyms and vacation resorts with swimming pools has been on the rise. The positive trend for traveling has also created greater opportunities for people to engage in aquatic activities. In addition, the high urbanization rate of China is expected to create an increasing population who are more frequently adapting to indoor sports activities including swimming, thereby driving the demand for swimwear products in China. Prolonged sales seasons are also expected to drive the growth of the swimwear market sector, as more people swim in the winter and spend their vacations at hot springs. The national and local tourism authorities have initiated several programs, such as annual hot spring festivals in Chongqing and Hubei Province, to promote hot spring tourist sites throughout China.

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The Fitness Wear Market Sector

The fitness wear market sector accounted for 42.9% of the indoor sportswear market in China in 2010. Fitness wear refers to a type of apparel designed particularly for indoor, non-aquatic fitness exercises, such as yoga, pilates, anaerobic exercise, boxing, dance and so on. Fitness wear is often distinguished from regular sports apparel by its use of functional materials and design to achieve properties of moisture management, breathability and elasticity. Fitness wear products include apparel for men, women and children, such as yoga suits and fitness pants. China's fitness wear market grew from RMB575.4 million in 2007 to RMB1,485.5 million in 2010, at a CAGR of 37.2% from 2007 to 2010. Such growth was mainly attributable to the growing trend of people pursuing healthy lifestyles, the rising enthusiasm among the Chinese population for fitness exercises, and the increasing prevalence of wearing professional fitness attires to such activities. According to Frost & Sullivan, China's fitness wear sector is expected to reach RMB5,043.8 million by 2015, representing a CAGR of 27.7% from 2010 to 2015. The chart below illustrates the historical and projected ex-factory domestic revenue for the fitness wear market sector in China from 2007 to 2015:

Chinese Fitness Wear Market: Ex-factory Revenue in Domestic Market (China), 2007–2015E



Source: Frost & Sullivan

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Competitive landscape

Our *Hosa*TM brand is the leading brand name for fitness wear in China, capturing the largest market share among all domestic and multinational fitness wear brands in China in 2010. The following chart sets forth the market share of each of the top five fitness wear brands in China in 2010:

China's Fitness Wear Market: Top Five Brands by Domestic Ex-factory Revenue in 2010

<u>Ranking</u>	<u>English Brand Name</u>	<u>Chinese Brand Name</u>	<u>Brand Origin⁽¹⁾</u>	<u>Market Share</u>
1	Hosa	浩沙	China	4.6%
2	Zoke	洲克	China	2.1%
3	Sunyoga	遠陽瑜伽	China	2.1%
4	Decathlon	迪卡儂	France	2.1%
5	Pieryoga	皮爾瑜伽	China	1.9%
Total Ex-factory Revenue of Top Five Brands				12.8% ⁽²⁾

Notes:

- (1) Brand origin refers to the country or region where the brand was first registered.
- (2) Market share for the top five brands is calculated based on the total domestic ex-factory revenue of the top five brands divided by the total ex-factory revenue of China's fitness wear market, and may differ from the sum of the individual market shares of the top five brands due to rounding.

Source: Frost & Sullivan

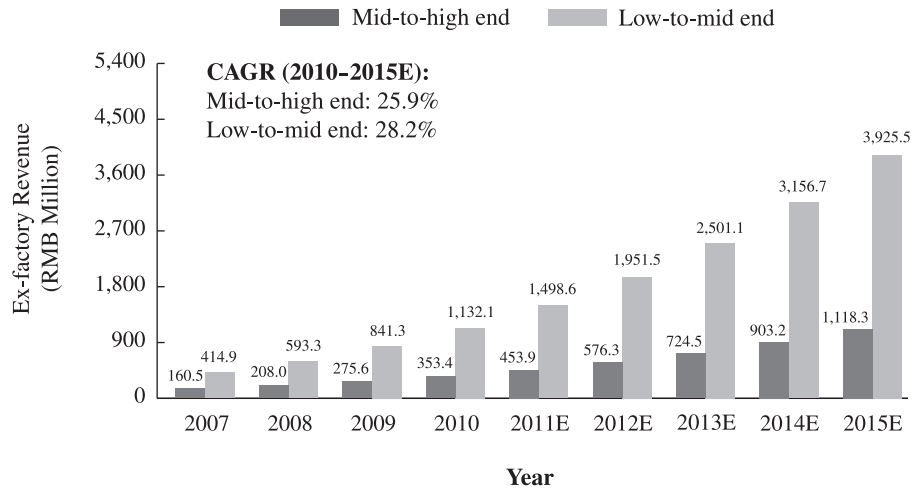
Given that the fitness wear market sector is at an early growth stage, the principal bases of competition for fitness wear brands include early market entry to secure dominance in sales channels, brand awareness, product quality and functionality, and market positioning and pricing.

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Market segmentation

According to Frost & Sullivan, the fitness wear market sector in China can be divided into mid-to-high end and low-to-mid end markets based primarily on the retail label price of women’s fitness wear products. Such parameter was employed for fitness wear market segmentation in order to exclude any bias that may be caused by price gaps between men’s and women’s products in the fitness wear market, which vary considerably in retail label price. *Hosa*TM, *Zoke*, *Sunyoga* and *Pieryoga* have the most significant presence in the mid-to-high end segment for fitness wear, in which the retail label price for the majority of a brand’s products for women reached above RMB200 per unit in 2010. The low-to-mid end segment, in which the retail label price for the majority of a brand’s products for women was no higher than RMB200 per unit in 2010, also has significant presence in the Chinese fitness wear market. The chart below illustrates the historical and projected ex-factory revenue of fitness wear brands by market segments:

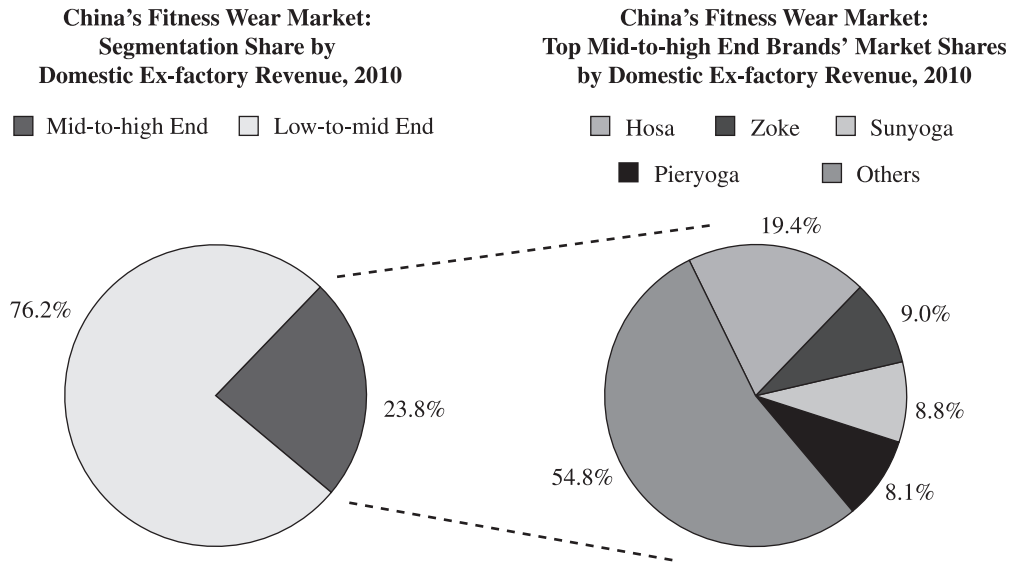
China’s Fitness Wear Market Segmentation, 2007–2015E



Source: Frost & Sullivan

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Our *Hosa*TM brand accounted for 19.4% of the mid-to-high end fitness wear market in China in 2010. The charts below illustrate the share of the mid-to-high end segment in China's fitness wear market as well as the market share of mid-to-high end fitness wear brands in 2010:



Source: Frost & Sullivan

Growth drivers

For the fitness wear market sector, the rising disposable income in urban households, rapid urbanization and increasing health awareness in China are expected to be its primary growth drivers in the next five years. With the economic development, rising awareness of health issues and increasing exposure to western lifestyles as a result of urbanization, fitness centers and gymnasiums have opened across the nation, especially in first-tier cities and after the 2008 Beijing Olympic Games. These facilities are expected to be a key market driver in the next three to five years, as they serve not only as venues for sports activities, but also as sales terminals for fitness wear. In addition, government initiatives to promote the health of the general population, such as the establishment of “National Sports and Exercises Day” after the 2008 Beijing Olympic Games, have cultivated stronger health awareness among people in China and may thus contribute to the growth of the fitness wear market sector.

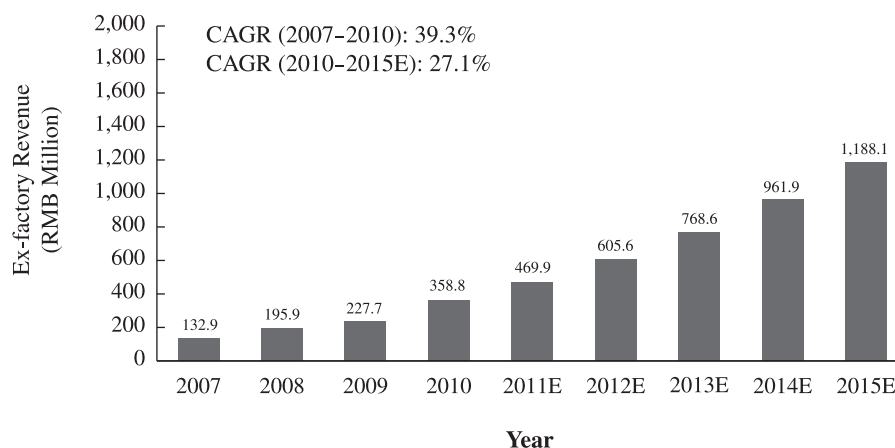
The Sports Underwear Market Sector

China's sports underwear market sector was newly born in the mid-2000s. In 2010, the sports underwear market sector accounted for 10.4% of the indoor sportswear market in China. Sports underwear refers to a type of underwear particularly designed to enhance exercise efficiency during sports activities. To enhance exercise efficiency, sports underwear has high requirements for its material, cut-out and production techniques such that it achieves properties of body shaping and support, elasticity, moisture management and breathability. Sports underwear thus differentiates itself from regular underwear in its functionality for sporting activities, and often utilizes functional materials such as Lycra fibers and thermal fabrics. China's sports underwear market grew rapidly from RMB132.9 million in 2007 to RMB358.8 million in 2010, at a CAGR of 39.3% from 2007 to 2010. According to Frost & Sullivan, the sports

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underwear sector in China is expected to reach RMB1,188.1 million by 2015, representing a CAGR of 27.1% from 2010 to 2015. The chart below illustrates the historical and projected ex-factory domestic revenue for the sports underwear market sector in China from 2007 to 2015:

China's Sports Underwear Market: Ex-factory Revenue in Domestic Market (China), 2007–2015E



Source: Frost & Sullivan

Competitive landscape

Our *Hosa*TM brand is the leading brand name for sports underwear in China, capturing the largest market share of 31.1% among all domestic and multinational sports underwear brands in China in 2010. The following chart sets forth the ex-factory revenue and market share of each of the top five sports underwear brands in China in 2010:

China's Sports Underwear Market: Top Five Brands by Domestic Ex-factory Revenue in 2010

Ranking	English Brand Name	Chinese Brand Name	Brand Origin ⁽¹⁾	Market Share
1	Hosa	浩沙	China	31.1%
2	Adidas	阿迪達斯	Germany	4.9%
3	Nike	耐克	The U.S.	3.2%
4	LYY	林櫻櫻	Hong Kong	2.1%
5	Aimer	愛慕	China	1.6%
Total Ex-factory Revenue of Top Five Brands				43.0% ⁽²⁾

Notes:

- (1) Brand origin refers to the country or region where the brand was first registered.
- (2) Market share for the top five brands is calculated based on the total domestic ex-factory revenue of the top five brands divided by the total ex-factory revenue of China's sports underwear market, and may differ from the sum of the individual market shares of the top five brands due to rounding.

Source: Frost & Sullivan

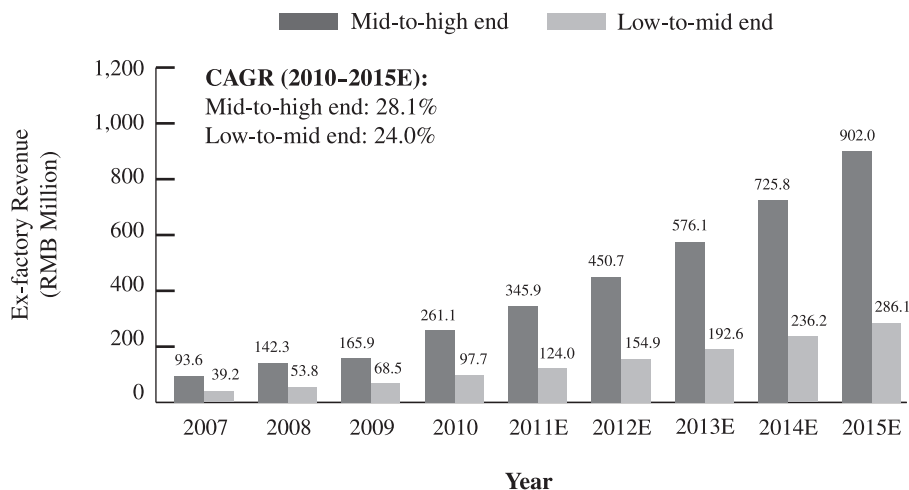
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The sports underwear market sector is at an early development stage and the principal bases of competition for sports underwear brands are early market entry, product functionality and design, comprehensive product portfolio, brand awareness, sales channels and consumer education.

Market segmentation

According to Frost & Sullivan, the sports underwear market sector in China can be segmented into mid-to-high end and low-to-mid end markets based primarily on the retail label price of the products. The mid-to-high end segment for sports underwear mainly consists of *Hosa*TM, Adidas, Nike, LYY and a few other brands for which the majority of products had retail label prices of above RMB75 per unit in 2010. This segment accounted for 72.8% of all sports underwear sales in China in 2010. The low-to-mid end segment is composed of brands for which the majority of products have retail label prices that were below RMB75 per unit in 2010. The chart below illustrates the historical and projected ex-factory revenue of sports underwear brands by market segments:

China's Sports Underwear Market Segmentation, 2007–2015E

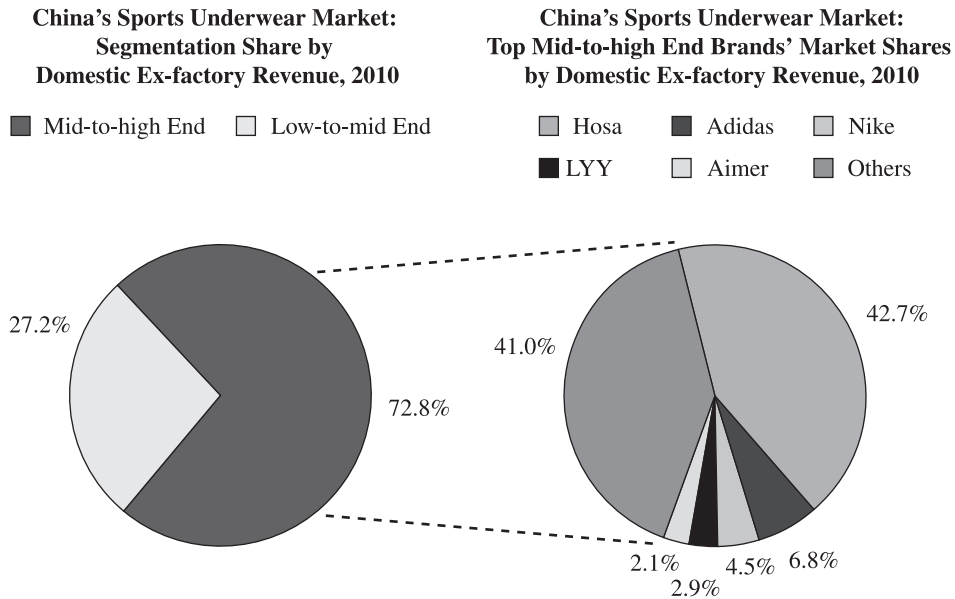


Source: Frost & Sullivan

According to Frost & Sullivan, the mid-to-high end segment is expected to achieve rapid growth at a CAGR of 28.1% from 2010 to 2015. The low-to-mid end segment is also expected to show vigorous growth over the same period at a CAGR of 24.0%. However, growth of the low-to-mid end segment may be hindered by technology requirements and updates, which are comparatively unaffordable to small players, thereby resulting in a slower growing pace than the mid-to-high end segment.

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Our *Hosa*TM brand accounted for 42.7% of the mid-to-high end sports underwear market in China in 2010. The charts below illustrate the share of the mid-to-high end segment in China's sports underwear market as well as the market share of mid-to-high end sports underwear brands in 2010:



Source: Frost & Sullivan

Growth drivers

Rising standards of living in China have led to growing health awareness, increasing spending on sports activities and a greater demand for functional, high-quality sportswear among Chinese consumers, which are expected to be the primary drivers for the sports underwear market sector in the next five years. The rapid growth in the number of fitness centers and gymnasiums is also a major driver for the sports underwear market, since fitness trainers at such locations expose consumers to the necessity of professional indoor sportswear, including sports underwear. Positive macroeconomic factors, the prosperity of the sports industry in general and the development of functional material technologies are also expected to contribute to the growth of the sports underwear market sector.

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Factors that Affect the Indoor Sportswear Industry

Prices of raw materials

Prices of some raw materials used in the manufacturing of indoor sportswear products, such as polyamide fibers and terylene fabrics are affected by fluctuations in crude oil prices. According to Bloomberg, WTI crude oil spot prices rose to record levels in July 2008 and then dropped significantly in the second half of 2008. Prices have been on the rise since their record lows in early 2009. The following chart sets forth the spot prices of crude oil on trading days during the period from January 2007 to October 2011:

Historical WTI crude oil spot prices, January 2007–October 2011



Source: Bloomberg

Furthermore, cotton prices have remained at relatively high levels in the past several years. According to the China National Cotton Exchange, average cotton prices were approximately RMB13,600 per ton, RMB13,200 per ton, RMB19,900 per ton and RMB27,800 per ton in 2008, 2009 and 2010 and in the six months ended 30 June 2011, respectively.