
INDUSTRY OVERVIEW

This section contains information and statistics relating to both the PRC, the United States, Europe and other countries, as well as the industry in which we operate. Certain information and statistics set out in this section have been extracted from various government publications, market data providers and other independent third-party sources. Except for the Frost & Sullivan Report referred to below that was commissioned by the Company, neither our Group, its connected persons, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, nor any other party involved in the Global Offering has commissioned any such third-party source. We believe that the sources of this information 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. Although the Company and other parties involved in the Global Offering have undertaken due diligence on Frost & Sullivan and its findings, including with respect to the future periods up to 2015, which the Directors believe to be reliable, based on accurate information and not misleading, the information in this section has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

Certain information and statistics are extracted from an industry report prepared by Frost & Sullivan, dated 26 September 2011 (the “Frost & Sullivan Report”), which we commissioned. The information extracted from the Frost & Sullivan Report reflects an estimate of market conditions based on Frost & Sullivan’s research and analysis. The information extracted from the Frost & Sullivan Report should not be viewed as a basis for investments provided by Frost & Sullivan and references to the Frost & Sullivan Report should not be considered as Frost & Sullivan’s opinion as to the value of any security or the advisability of investing in our Company. Information in this prospectus on the PRC, Indonesia, Vietnam, Thailand and Philippines markets is from independent market research carried out by Euromonitor International Limited but should not be relied upon in making, or refraining from making, any investment decision. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by our Company, neither we, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of our or their respective directors, officers, affiliates or advisers, nor any party involved in this Global Offering has independently verified such information and statistics, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China. For a discussion of the sources, methodologies, bases and assumptions used in preparation of the Frost & Sullivan Report, see “— Preparation of the Frost & Sullivan Report”. For a discussion of risks relating to our industry, please see “Risk Factors — Risks Relating to our Industry”.

FROST & SULLIVAN REPORT

In connection with the Global Offering we commissioned Frost & Sullivan to prepare a report on the global luxury goods and luxury handbag and small leather goods market in Japan, Europe, United States and the PRC, including general economic data on the PRC and key developed regions. Frost & Sullivan received a total commission of RMB1,153,920 for the research and preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other report in connection with the Global Offering.

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Frost & Sullivan, founded in 1961, has more than 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, strategic and market planning which serve a variety of industries.

In the PRC, the methodology used by Frost & Sullivan involved conducting both primary and secondary research obtained from numerous sources on the global and PRC luxury goods market, the PRC luxury handbag and small leather goods retail market, the global and PRC luxury handbag and small leather goods manufacturing market and other economic data. Primary research involved interviewing leading industry participants and secondary research involved reviewing company reports, independent research reports and Frost & Sullivan's proprietary database.

Frost & Sullivan's primary research was conducted through telephone interviews by Frost & Sullivan analysts. Its secondary research was conducted by reviewing publicly available documents, including corporate filings and research reports, which served as an initial step to gather high-level information and to devise appropriate interviewee lists and research methodologies for further investigation.

Preparation of the Frost & Sullivan Report

Forecasted data in the Frost & Sullivan Report was generated from historical data analyses plotted against macroeconomic data as well as specific industry-related drivers, such as, among others, purchasing power and consumer expenditure on luxury goods. Frost & Sullivan developed its forecasts on the following bases and assumptions:

- A rapid recovery of the global economy will continue during the forecasted period;
- The PRC's economy will maintain steady growth over the next ten years;
- The PRC's social, economic and political environment will remain stable during the forecasted period;
- The stable development of the global and PRC luxury handbag and small leather goods market during the forecasted period is likely to be primarily driven by the recovery of the global economy, the rapid development of emerging regions, the rapid expansion of the number of wealthy individuals demographic group, improvements in anti-piracy laws and regulations; and
- Market drivers such as the strong growth in the global and PRC luxury handbag and small leather goods manufacturing market, improved manufacturing technologies, increasing numbers of qualified laborers in the PRC, and cost advantages of manufacturing in emerging regions are expected to accelerate the growth of the global and PRC luxury handbag and small leather goods manufacturing market.

Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these parameters.

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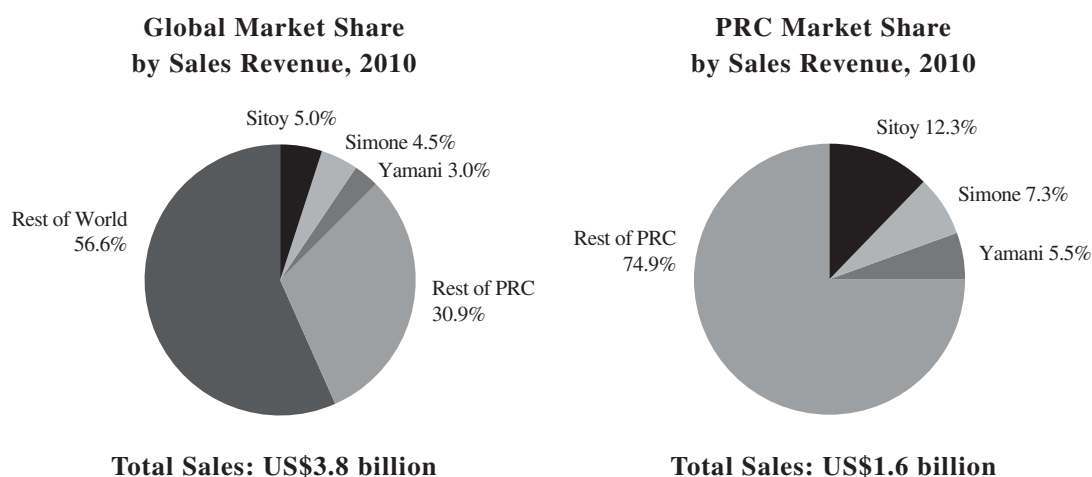
The downgrading of U.S. credit debt by Standard & Poors on 5 August 2011 and the ongoing European debt crisis have not been taken into account. In the opinion of Frost & Sullivan, the recent changes in global economic conditions are anticipated to have an adverse impact on the global luxury handbag and small leather goods retail and manufacturing market in the near term. However, based on preliminary research by Frost & Sullivan, the global luxury handbag and small leather goods retail and manufacturing market is not expected to be significantly impacted in the long term by those changes. Frost & Sullivan also believe that it is too early to estimate the potential impact of such events and hence it would not be appropriate to make any specific adjustments to the global luxury handbag and SLG retail and manufacturing market forecast based on the recent changes in global economic conditions.

See “Risk Factors — Risks Relating to the Global Offering and Our Shares — There can be no assurance as to the accuracy of facts and other statistics with respect to certain information obtained from official government and third-party sources and publications, including the industry expert report contained in this prospectus.”

OVERVIEW OF THE GLOBAL LUXURY HANDBAG AND SMALL LEATHER GOODS MANUFACTURING MARKET

In 2010, according to Frost & Sullivan, we had the largest global market share in terms of revenue at approximately 5% of the market for outsourced manufacturing of luxury handbags and small leather goods. The following chart sets out the sales revenue of the three major global outsourced luxury handbag and small leather goods manufacturers, the Company, Simone Ltd. and Yamani Continental Inc., in 2010:

**Major Three Global Outsourced Luxury Handbag and Small Leather Goods Manufacturers
by Sales Revenue, 2010**



Source: Frost & Sullivan

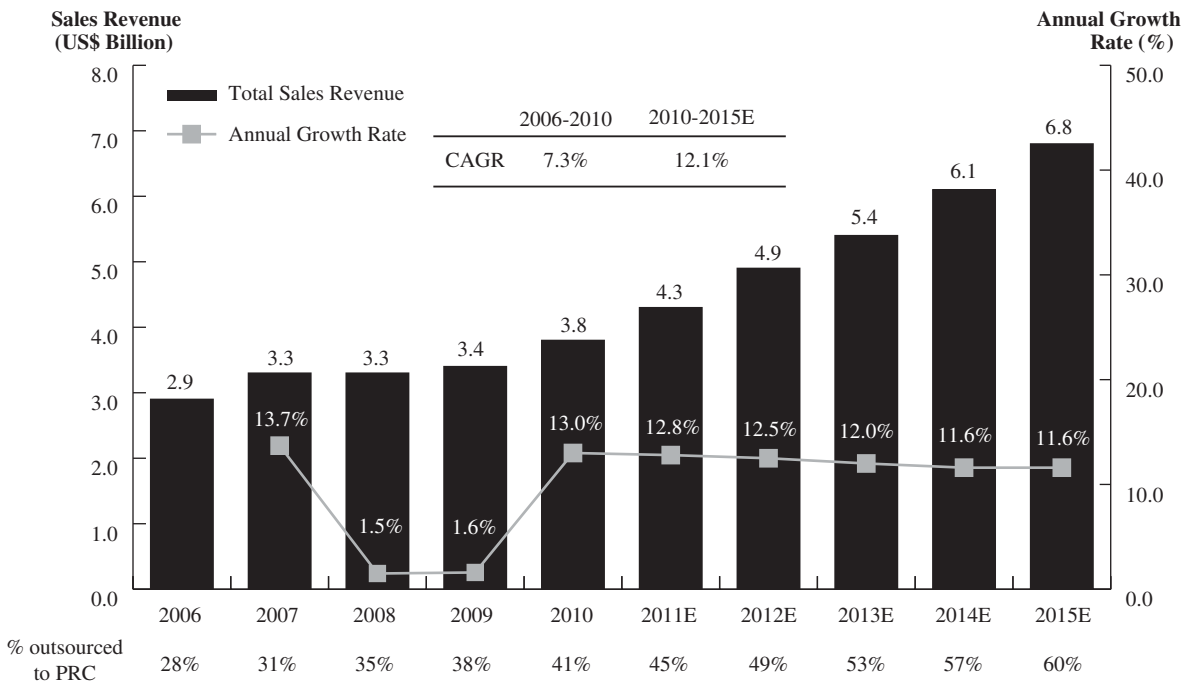
Name	Production Volume in 2010 (million units)
Sitoy	7.1
Simone	6.3
Yamani	4.5

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As defined by Frost & Sullivan, luxury handbags primarily include handbags, such as top handle bags, clutch bags, shoulder bags and tote bags, that are designed by prestigious luxury brands and have retail prices starting at approximately RMB3,000. Luxury small leather goods primarily include wallets, cosmetic bags, pouches, card holders and key holders that are designed by prestigious luxury brands and have retail prices starting at approximately RMB1,500. The global luxury handbag and small leather goods manufacturing market, which comprises the market for outsourced manufacturing of both luxury handbags and small leather goods, is highly fragmented and grew from approximately US\$2.9 billion in 2006 to approximately US\$3.8 billion in 2010, representing a CAGR of 7.3%, notwithstanding slower growth experienced from 2008 to 2009 during the recent economic crisis. Frost & Sullivan expects the size of this market to increase from approximately US\$3.8 billion in 2010 to approximately US\$6.8 billion in 2015, representing a CAGR of 12.1%.

The following chart sets out the actual and forecasted revenue of the global luxury handbag and small leather goods manufacturing market and its annual growth rate from 2006 to 2015, based on data from Frost & Sullivan.

**Total Sales Revenue of Global Luxury Handbag and
Small Leather Goods Manufacturing Market, 2006-2015E**

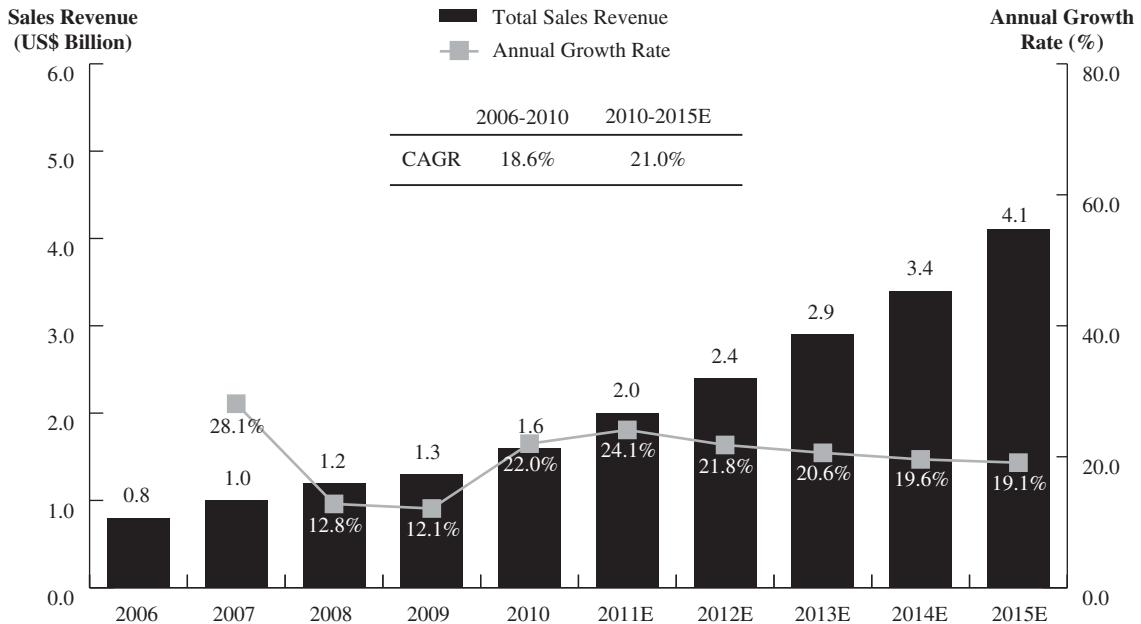


Source: Frost & Sullivan

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The following chart sets out the actual and forecasted revenue of the PRC luxury handbag and small leather goods manufacturing market and its annual growth rate from 2006 to 2015, based on data from Frost & Sullivan.

Total Sales Revenue of the PRC Luxury Handbag and Small Leather Goods Manufacturing Market, 2006-2015E



Source: Frost & Sullivan

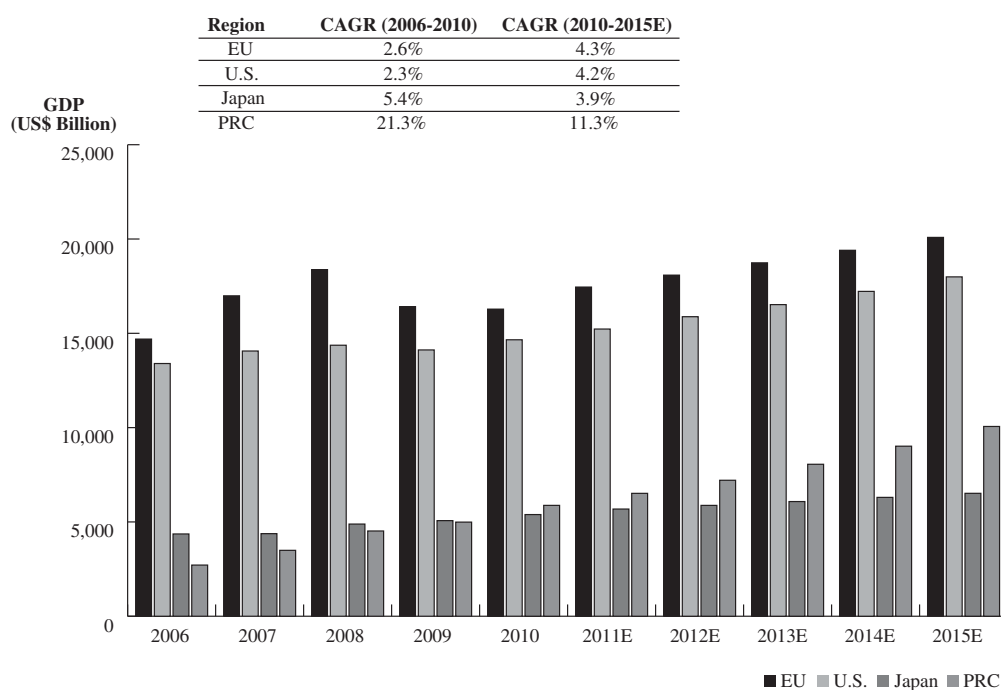
According to Frost & Sullivan, the accelerated growth in the global luxury handbag and small leather goods manufacturing market from 2010 to 2015 is expected to be driven by continuous growth in the global economy and rapid growth in demand for luxury handbag and small leather goods products, especially in emerging markets like the PRC. In addition, the growth of the global luxury handbag and small leather goods manufacturing market is expected to exceed the comparative expected growth of the corresponding retail market, as global luxury brands continue to outsource production in order to reduce costs. More importantly, the technology, know-how and product quality of global luxury handbag and small leather goods manufacturers, driven primarily by manufacturers based in the PRC, have become more sophisticated at meeting high international standards for luxury handbag and small leather goods products.

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GLOBAL ECONOMIC GROWTH

The United States, the European Union, Japan and the PRC are the four largest luxury handbag and small leather goods retail markets. As a result, economic conditions in those regions have a significant impact on the global luxury handbag and small leather goods manufacturing market. According to the International Monetary Fund, between 2006 and 2010, the annual nominal GDP of the European Union increased from approximately US\$14,694.2 billion to approximately US\$16,282.2 billion, representing a CAGR of 2.6%; the annual nominal GDP of the United States increased from approximately US\$13,398.9 billion to approximately US\$14,657.8 billion, representing a CAGR of 2.3%; the annual nominal GDP of Japan increased from approximately US\$4,362.6 billion to approximately US\$5,390.9 billion, representing a CAGR of 5.4%; and the annual nominal GDP of the PRC increased from approximately US\$2,712.9 billion to approximately US\$5,878.3 billion, representing a CAGR of 21.3%.

Comparison of Annual Nominal GDP (EU, U.S., Japan, PRC), 2006-2015E



Region	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
EU	14,694.2	16,989.3	18,377.0	16,413.7	16,282.2	17,452.4	18,084.9	18,738.3	19,402.2	20,085.7
U.S.	13,398.9	14,061.8	14,369.1	14,119.1	14,657.8	15,227.1	15,880.2	16,522.1	17,223.5	17,993.1
Japan	4,362.6	4,378.0	4,887.0	5,068.9	5,390.9	5,683.3	5,877.5	6,080.7	6,302.1	6,517.5
PRC.	2,712.9	3,494.2	4,520.0	4,990.5	5,878.3	6,515.9	7,209.4	8,057.4	9,016.2	10,061.8

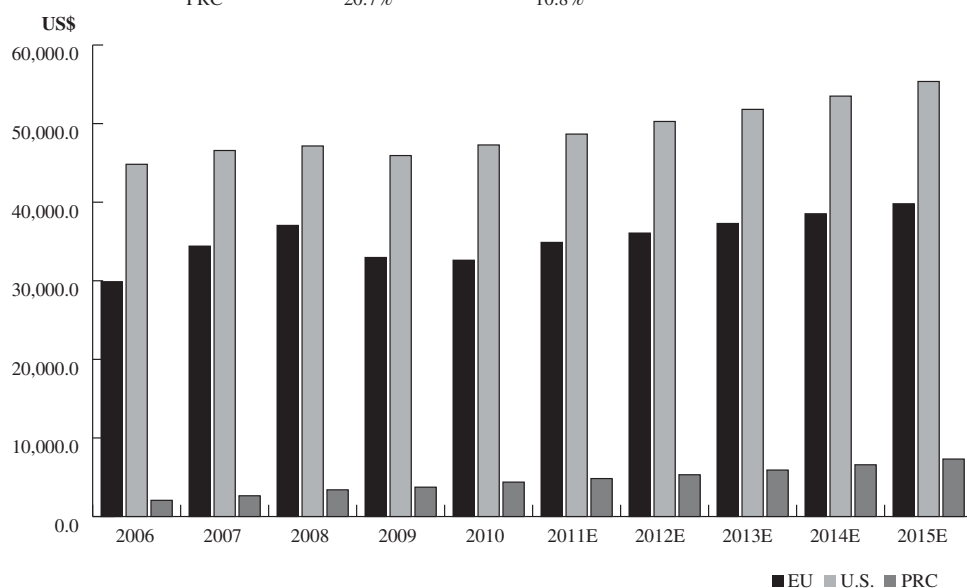
Source: International Monetary Fund, April 2011

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Between 2006 and 2010, the annual per capita nominal GDP of the United States increased from US\$44,823.0 to US\$47,283.6, representing a CAGR of 1.3%; the annual per capita nominal GDP of the European Union increased from US\$29,887.6 to US\$32,615.0, representing a CAGR of 2.2%; and the annual per capita nominal GDP of the PRC increased from US\$2,063.9 to US\$4,382.1, representing a CAGR of 20.7%.

Comparison of Annual Per Capita Nominal GDP (EU, U.S., PRC), 2006-2015E

Region	CAGR (2006-2010)	CAGR (2010-2015E)
EU	2.2%	4.1%
U.S.	1.3%	3.2%
PRC	20.7%	10.8%



Region	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
EU	29,887.6	34,408.8	37,044.6	32,962.7	32,615.0	34,882.8	36,068.9	37,290.8	38,529.8	39,802.9
U.S.	44,823.0	46,577.2	47,155.3	45,934.5	47,283.6	48,665.8	50,273.2	51,810.5	53,499.3	55,361.2
PRC.	2,063.9	2,644.6	3,403.5	3,739.0	4,382.1	4,833.3	5,321.1	5,917.4	6,588.7	7,316.2

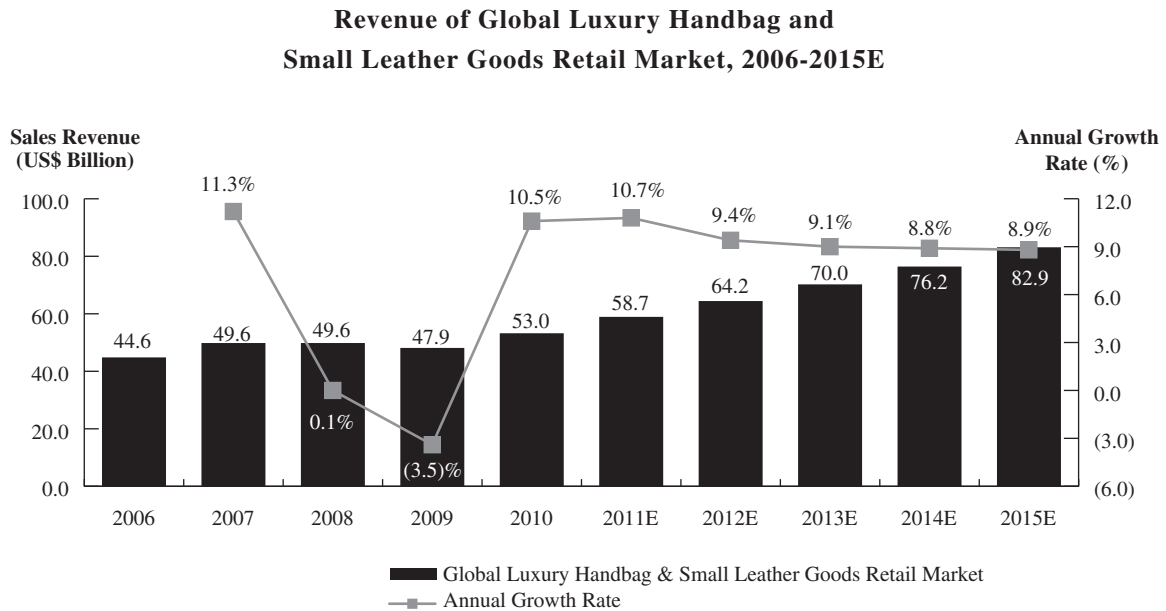
Source: International Monetary Fund, April 2011

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GROWTH OF GLOBAL LUXURY HANDBAG AND SMALL LEATHER GOODS RETAIL MARKET

Growth in Global Luxury Handbag and Small Leather Goods Retail Market

The following chart sets forth actual and forecasted annual revenue of the global luxury handbag and small leather goods retail market and its annual growth rate from 2006 to 2015.



Source: Frost & Sullivan

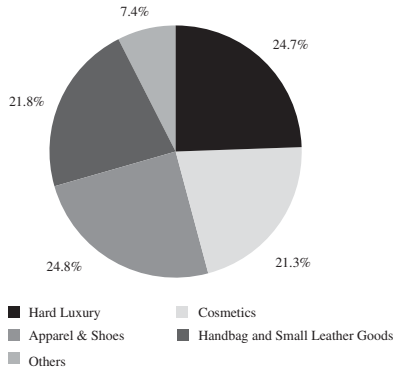
The global luxury handbag and small leather goods retail market grew from approximately US\$44.6 billion in 2006 to approximately US\$53.0 billion in 2010, representing a CAGR of 4.4%. According to Frost & Sullivan, the market size for the global luxury handbag and small leather goods retail market is expected to increase to approximately US\$82.9 billion in 2015, representing a 9.4% CAGR from 2010 to 2015. This growth is expected to be driven by the recovery of the global economy from the recent financial crisis and growing demand for luxury goods.

The global luxury goods retail market consists primarily of the following market segments: hard luxury, handbags and small leather goods, apparel and shoes and cosmetics. According to Frost & Sullivan, in 2010 the luxury handbag and small leather goods segment was the third largest segment in the global luxury goods market behind the apparel and shoes segment and the hard luxury goods segment, representing approximately 21.8% of the total market. However, the luxury handbag and small leather goods market experienced a 4.4% CAGR from 2006 to 2010, which was higher than the luxury apparel and shoes segment (4.3%) and the hard luxury goods segment (2.3%). Frost & Sullivan also expects the luxury handbag and small leather goods market segment to grow faster than the other luxury goods segments in the coming five years. According to Frost & Sullivan, the estimated CAGR for luxury handbag and small leather goods products is expected to be 9.4% from 2010 to 2015, which is higher than

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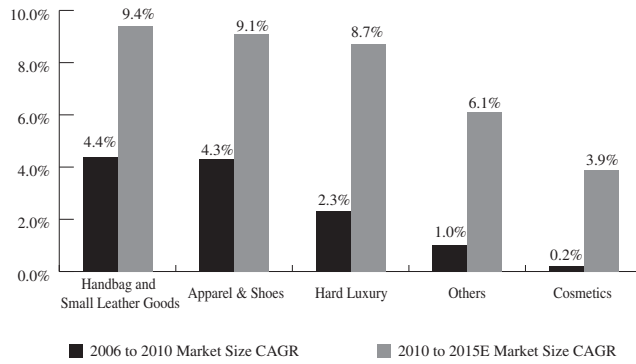
that forecasted for luxury apparel and shoes (9.1%) and hard luxury products (8.7%). The following charts set forth market share data of the major market segments of the global luxury goods market in 2010 and the historical and forecasted growth of these segments from 2006 to 2015.

**Market Share Data of the
Global Luxury Goods Retail Market**



Source: Frost & Sullivan

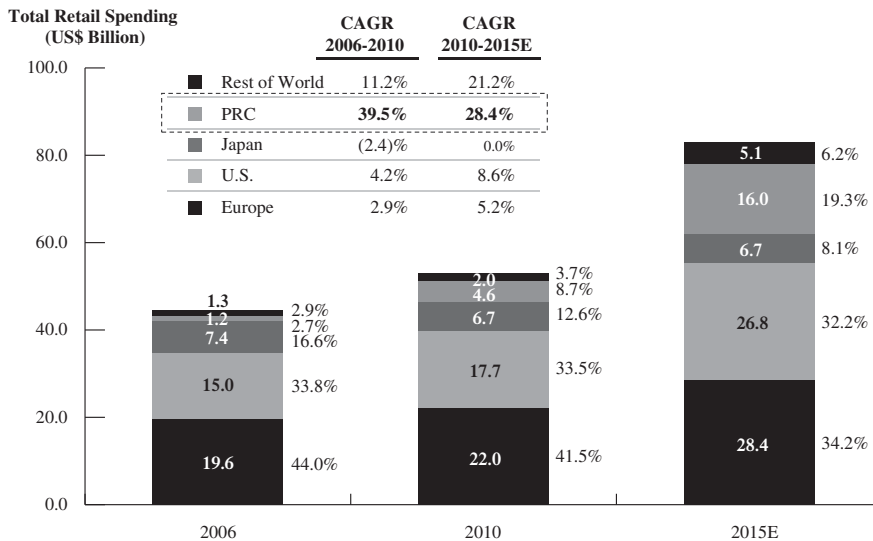
**Growth of Major Segments of
Global Luxury Goods Retail Market, 2006 to 2015E**



Source: Frost & Sullivan

In 2010, the four largest luxury handbags and small leather goods retail markets were Europe, the United States, Japan and the PRC, which accounted for 41.5%, 33.5%, 12.6% and 8.7%, respectively, of total retail spending on luxury handbags and small leather goods globally. The following chart sets forth the comparison of actual and forecasted total retail spending on luxury handbags and small leather goods for each of these retail markets and the rest of the world in 2006, 2010 and 2015:

**Comparison of Retail Spending of Luxury Handbags and
Small Leather Goods by Geographic Region, 2006-2015E**



Source: Frost & Sullivan

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Retail Markets in Europe and the United States

Europe and the United States are currently the two largest retail markets for luxury handbags and small leather goods, accounting for approximately 75.0% of the total retail spending in the global luxury handbag and small leather goods retail market in 2010. Europe, which is currently the largest retail market, has a well established retail market and is where most global luxury brands were founded. Retail sales in Europe slowed during the recent global economic crisis, but have recently started to recover, and future growth there is expected to be driven in part by emerging markets in Eastern Europe. Total retail spending in the European luxury handbag and small leather goods retail market is forecasted to increase to US\$28.4 billion in 2015, representing a CAGR of 5.2% from 2010 to 2015. The U.S. luxury handbag and small leather goods retail market is also a mature market with a high rate of market penetration. Growth in the U.S. retail market for luxury handbags and small leather goods was also impacted by the recent global economic crisis but started to recover in 2010 and is expected to increase steadily from 2010 to 2015 with a CAGR of 8.6%.

Growth in spending on luxury handbags and small leather goods in Europe and the United States in coming years is expected to be driven primarily by the following key factors: (i) the global economic recovery following the recent economic crisis; (ii) the solid market foundation, high rate of market penetration and strong brand awareness and loyalty that characterize both markets; (iii) shifting consumer behaviour as a result of the economic crisis that has resulted in consumers making more purchases during sales periods and purchasing products that are more functional and durable; and (iv) the benefits that financial and fashion centers, such as London, New York, Paris and Milan, are expected to realize from increases in globalization.

The PRC Retail Market – The Largest Driver of Growth

One of the key growth drivers for the luxury handbag and small leather goods retail market is the growing demand from the PRC. According to Frost & Sullivan, spending on luxury handbag and small leather goods in the PRC experienced a 39.5% CAGR from 2006 to 2010, which was significantly higher than that of the United States (4.2%), the European Union (2.9%), Japan (2.4%) and the rest of world (11.2%). In addition, spending on luxury handbags and small leather goods in the PRC is expected to maintain its strong growth momentum with an estimated 28.4% CAGR from 2010 to 2015, and is expected to continue to be higher than that of the United States (8.6%), the European Union (5.2%), Japan (0.0%) and the rest of the world (21.2%) over the same period. By 2015, the PRC is expected to account for 19.3% of the total global spending on luxury handbags and small leather goods, up from 8.7% in 2010. From 2010 to 2015, the PRC is expected to be the largest growth driver of the global luxury handbag and small leather goods market by contributing an estimated US\$11.4 billion of additional retail spending from 2010 to 2015.

Amid the strong growth in the PRC luxury handbag and small leather goods market, global luxury brands, including certain of our customers, have been actively expanding their presence in the PRC by opening retail outlets, increasing staff and advertising campaigns in the PRC, as well as requesting more of their products to be directly delivered from our factories to different destinations within the PRC.

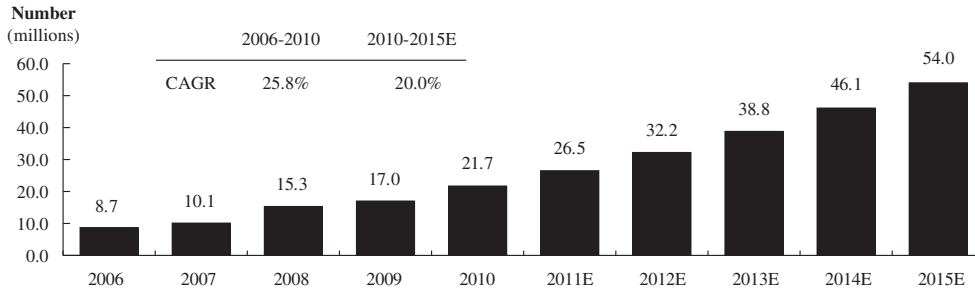
The expected strong increase in spending on luxury handbag and small leather goods in the PRC is anticipated to be driven by several key factors including: (i) the increasing number of wealthy individuals; (ii) the increasing living standard and demand for high quality luxury products; (iii) growing urban populations; and (iv) improving anti-piracy laws and regulations.

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Increasing number of wealthy individuals in the PRC

The number of wealthy individuals (defined as people with an annual disposable income greater than RMB100,000) has been increasing rapidly in developing regions, especially in the PRC, indicating the potential for future growth in demand for luxury goods. Between 2006 and 2010, the number of wealthy individuals in the PRC increased from approximately 8.7 million to approximately 21.7 million, representing a CAGR of 25.8%. This number is expected to reach approximately 54.0 million in 2015 with a CAGR of 20.0% from 2010 to 2015. The following chart projects the growth of the number of wealthy individuals in the PRC from 2006 to 2015.

Number of Wealthy Individuals in PRC, 2006-2015E

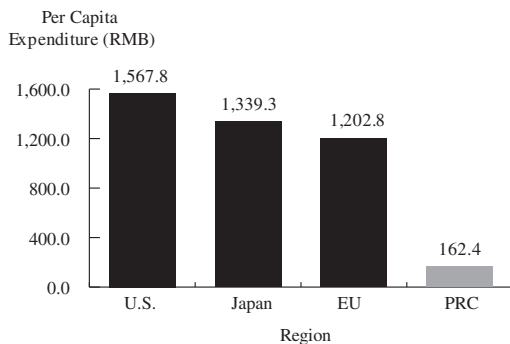


Source: Frost & Sullivan

Increasing living standards and demand for high quality luxury products

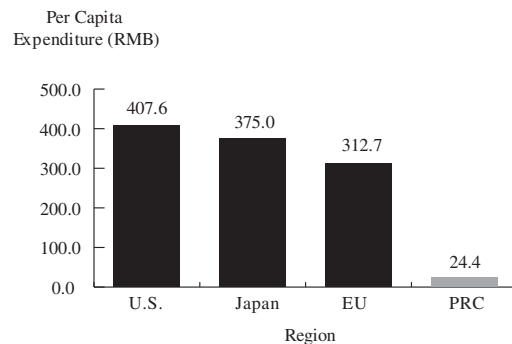
Frost & Sullivan expects that increasing disposable income combined with increasing demand for higher living standards in the PRC will increase the per capita expenditure on luxury goods and luxury handbags and small leather goods. In 2010, the per capita expenditure on luxury goods in the PRC was RMB162.4, which was significantly lower than that in the United States (RMB1,567.8), Japan (RMB1,339.3) and the European Union (RMB1,202.8). In 2010, the per capita expenditure on luxury handbags and small leather goods in the PRC was RMB24.4, which was less than 10% of that in the United States (RMB407.6), Japan (RMB375.0) and the European Union (RMB312.7). The following charts set forth the per capita expenditure on luxury goods and per capita expenditure on luxury handbags and small leather goods, in each case by region in 2010.

Per Capita Expenditure on Luxury Goods by Select Regions, 2010



Source: Frost & Sullivan

Per Capita Expenditure on Luxury Handbag and Small Leather Goods by Select Regions, 2010



Source: Frost & Sullivan

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Growing urban populations

According to Frost & Sullivan, as migration to cities in the PRC continues and cities continue to grow, the urban population in the PRC is expected to maintain a CAGR of 2.8% from 2009 to 2014 and reach 732.3 million urban inhabitants by 2014. This projected growth in urbanization is expected to contribute to an increase in demand for luxury handbags and small leather goods in the PRC as the number of potential consumers of these goods increases.

Anti-piracy laws and regulations

As the PRC becomes more developed and its companies and business practices more mature, it is expected that the protection of intellectual property rights in the PRC will improve. PRC anti-piracy laws and regulations designed to block the sale of counterfeit products have gradually improved, which is expected to increase protection of luxury brand reputations and images.

HIGH BARRIERS OF ENTRY TO THE LUXURY HANDBAG AND SMALL LEATHER GOODS MANUFACTURING MARKET

The luxury handbag and small leather goods manufacturing market has very high barriers to entry due to: (i) brands being very selective about their suppliers; (ii) the high level of production know-how, craftsmanship and design and development capabilities required by customers; (iii) limitations on the availability of the skilled labor necessary to make the products; and (iv) relationships with suppliers being an important factor in obtaining adequate raw materials.

Global Luxury Handbag and Small Leather Goods Brands Are Very Selective about Their Suppliers

The price premiums of luxury handbag and small leather goods products are derived from their superior craftsmanship, sophisticated product designs and luxury brand image. Accordingly, global luxury handbag and small leather goods brands are very selective in choosing their suppliers. According to Frost & Sullivan, global luxury handbag and small leather goods brands usually prefer manufactures that have:

- a high reputation for quality;
- best-in-class manufacturing facilities;
- a market leading position with strong experience, craftsmanship and production know-how;
- strong design and development capabilities;
- a track-record of on-time delivery;
- skilled labor forces that are properly compensated and working in safe and comfortable working environments;

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- strong internal corporate governance and intellectual property protection; and
- professional and dedicated management teams that are experienced in working with global luxury brands and continuously improving their quality and efficiency.

Global luxury handbag and small leather goods brands need to protect their valuable brand by ensuring all the production processes are executed seamlessly, properly and according to their standards, and hence they are very cautious in working with new entry manufacturers with no track record. Accordingly, global luxury handbag and small leather goods brands prefer to work with suppliers with whom they have an established relationship.

High-Level of Production Know-How, Craftsmanship and Design and Development Capabilities

Producing luxury handbags and small leather goods requires a high level of production know-how, craftsmanship and design and development capabilities. The production process involves numerous complex and delicate procedures such as leather cutting, matching and stitching. The craftsmanship and efficiency in performing each procedure can only be optimized through years of in-depth production experience. New entrants usually face great difficulty in competing with existing leading manufacturers for this reason.

As with production and craftsmanship, designing and developing luxury handbags and smaller leather goods requires years of experience and collaboration in working with design teams from global luxury handbag and small leather goods brands. This experience creates challenges for new entrants in developing design and development capabilities that meet the standards of global luxury handbag and small leather good brands.

Skilled Labor Force

Most luxury handbags and small leather goods are hand-crafted and require a high level of craftsmanship. For this reason, skilled and experienced laborers are highly demanded by manufacturers in this industry. In addition, only large scale and experienced luxury handbag and small leather goods manufacturers generally have the economies of scale that many smaller manufacturers of the same types of products lack in order to train new workers through on-the-job training and other types of training programs. Furthermore, these leading manufacturers would be able to attract and retain a stable pool of skilled labour force compared to the smaller manufacturers.

Relationship with Raw Material Suppliers

Although some luxury handbag and small leather goods brands require manufacturers to use designated suppliers, where manufacturers source their own raw materials, the relationships they maintain with raw material suppliers is an important factor in obtaining adequate amounts of the high-quality, low-cost raw materials that they need, which presents key entry barrier to new entrants in the luxury handbag and small leather goods manufacturing market.

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GLOBAL MANUFACTURING OF LUXURY HANDBAG AND SMALL LEATHER GOODS

The global luxury handbag and small leather goods manufacturing industry has its origins in small, in-house manufacturing in Europe by highly skilled craftsmen, which often involved slower manufacturing processes that resulted in waiting periods for customers. In the 2000s, in order to meet the growing demand for luxury handbag and small leather goods, and given the high production costs associated with highly skilled craftsman in Europe, luxury handbag and small leather goods brands started to cooperate with third-party manufacturers in emerging regions to increase their production volumes and reduce their manufacturing costs. As a result of foreign investments by way of funding and technologies, craftsmanship and manufacturing technologies in emerging regions, especially in the PRC, have improved rapidly. This, combined with labor costs that are lower than developed regions, has given emerging regions a significant competitive advantage in the third-party manufacturing market. As a result, it is expected that luxury handbag and small leather goods brands will increasingly outsource their manufacturing processes to third-parties in emerging regions. This trend is expected to continue for the foreseeable future, especially in regions with well-developed infrastructures such as the PRC.

The PRC Manufacturing Industry

According to Frost & Sullivan, the PRC is the largest global luxury handbag and small leather goods manufacturing base in the world with approximately 41.2% of the market share in terms of revenue in 2010. Attracted by lower costs, a skilled labor force, improved manufacturing technologies, and other competitive advantages that the PRC luxury handbag and small leather goods manufacturing industry can offer, leading luxury brands are increasingly outsourcing to PRC luxury handbag and small leather goods manufacturers. According to Frost & Sullivan, the PRC should remain the leading manufacturing base for global luxury handbags and small leather goods brands, despite increased competition from other emerging regions, such as South East Asia, for the following reasons:

“Made-In-China” is No Longer Associated with Inferior Quality

According to Frost & Sullivan, consumers of luxury handbags and small leather goods outside the PRC have begun to recognize that certain luxury handbags and small leather goods manufactured in the PRC are of high standards and quality, which has led to more U.S. and European luxury brands being willing to outsource the manufacture of their products to the PRC.

Skilled labor force

PRC workers have accumulated years of craftsmanship experience in producing luxury handbags and small leather goods for U.S. and European luxury brands. Over time, this has led to an increasingly large pool of workers having the appropriate skills being available to manufacture handbags and small luxury goods at a high level of craftsmanship, permitting manufacturers in the PRC to leverage manufacturing efficiencies and lower labor costs, while still producing goods of high quality.

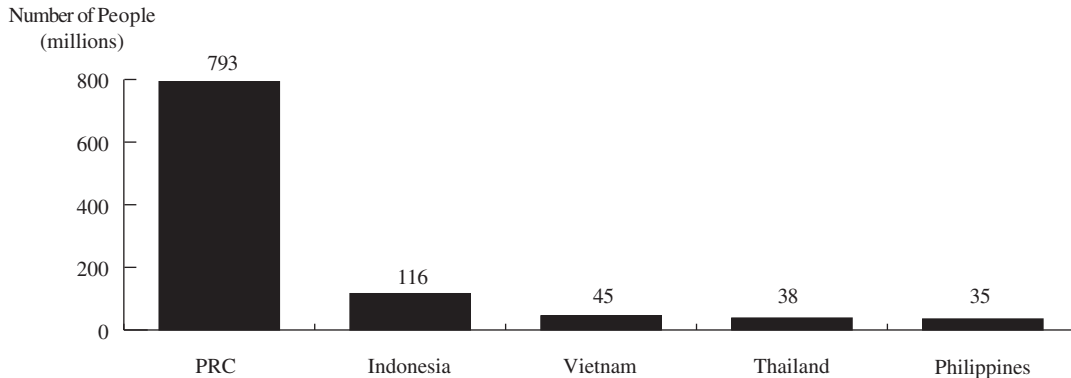
Labor Capacity

The PRC has the largest work force in the world. According to Euromonitor, in 2010 the number of persons who supply labor for the production of economic goods and services in the PRC was approximately 793 million people, which was 6.8 times, 17.6 times and 22.9 times of that of Indonesia (approximately 116 million people), Vietnam (approximately 45 million people) and the Philippines

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(approximately 35 million people), respectively. Small labor capacity is a key constraint for many countries in other emerging regions, especially in the luxury handbag and small leather goods manufacturing industry, where a large quantity of skilled labor is required due to the low level of mechanization of the manufacturing process.

Supply of Labor for the Production of Economic Goods and Services, 2010



Source: Euromonitor

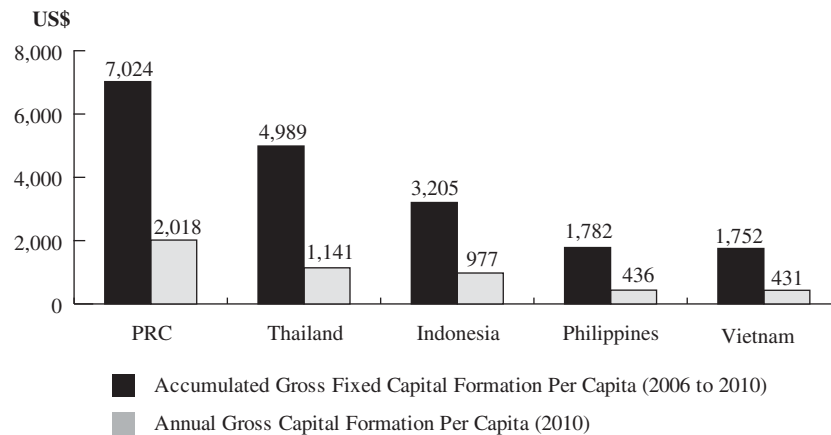
Developed infrastructure

Since the economic reform of the PRC began in the early 1980s, government bodies across all levels (national, provincial, municipal) in the PRC have been investing in improving the infrastructure, including roads, railways, ports, power and other utilities supplies, in order to create a favorable and competitive economic environment. The infrastructure level in many developed cities and coastal cities in the PRC, such as Beijing, Shanghai and Guangdong, has already reached the level of developed countries. Compared to the PRC, the infrastructure levels in countries in other emerging regions, such as Vietnam and Indonesia, is significantly lower. According to Euromonitor, the PRC's accumulated gross fixed capital formation per capita, which for each particular country is defined as the aggregate acquisitions of fixed assets, less disposals of fixed assets, plus improvements in land, changes in inventories and acquisitions of valuables less disposals of valuables from 2006 to 2010 was US\$7,024. By comparison, the accumulated gross fixed capital formation per capita of other emerging countries in Asia were as follows: Indonesia (US\$3,205), the Philippines (US\$1,782) and Vietnam (US\$1,752), which implies that the PRC has a significantly more developed fixed asset base, including with respect to its infrastructure investment. In 2010, the PRC's annual gross capital formation per capita was US\$2,018, whereas that of Indonesia was US\$977, the Philippines was US\$436 and Vietnam was US\$431, which implies that the PRC continues to invest at a greater rate than these other emerging countries in Asia. The lower level of investment in these other emerging countries in Asia, may adversely impact their ability to compete effectively in certain markets, particularly those requiring advanced transportation, manufacturing facilities, warehousing and power supply, such as the market for the third party manufacturing of luxury handbags and small leather goods.

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The following chart sets forth the accumulated gross fixed capital formation per capita from 2006 to 2010 and annual gross fixed capital formation per capita in 2010 for the PRC, Thailand, Indonesia, the Philippines and Vietnam.

Accumulated Gross Fixed Capital Formation per Capita, 2006 to 2010



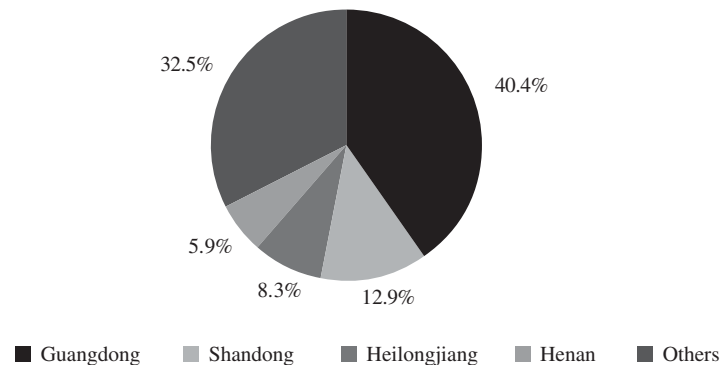
Source: Euromonitor

Integrated Supply Chain

A key growth factor of the luxury handbag and small leather goods manufacturing base in the PRC is the availability of an integrated supply chain with strong proximity to the manufacturing facilities. After more than 10 years of development, the supply chain of the luxury handbags and small leather good manufacturing market in the PRC is well developed and integrated, especially in the Guangdong Province where the Company's production facilities are located. According to Frost & Sullivan, 40.4% of the revenue from exported leather handbags in the PRC are manufactured in the Guangdong Province in 2010. The concentration of luxury and non-luxury leather handbag manufacturers in the Guangdong Province has attracted upstream suppliers and downstream logistics service providers to set up production facilities or operational branches in the province, helping to establish a strong and integrated supply chain for the luxury handbag and small leather goods manufacturing industry in Guangdong. The following chart sets forth the market share of exported leather handbags in the PRC by province in 2010.

INDUSTRY OVERVIEW

Market Share of Exported Leather Handbags by PRC Region in terms of revenue, 2010



Source: Frost & Sullivan

Proximity to High Growth Market

According to Frost & Sullivan, the PRC is expected to experience strong growth in the luxury handbag and small leather goods retail market with a 28.4% CAGR from 2010 to 2015 and share 19.3% of the world's luxury handbag and small leather goods market by 2015. The PRC luxury handbag and small leather goods manufacturers are likely to benefit from this as their proximity to a high growth market should help their customers save on transportation costs and, more importantly, accelerate the launching time of luxury handbag and smaller leather goods products, which is critical to luxury brands in the constantly evolving luxury fashion market.

Stable Economic Environment

The PRC has enjoyed stable economic growth in the past 10 years and, according to the International Monetary Fund, the PRC's nominal GDP is expected to continue growing at 12.3% CAGR from 2010 to 2015. Three major goals of the PRC government in the 12th five-year plan from 2011 to 2015 are to improve PRC's people's livelihood, uplift the PRC's overall national strength and strengthen the stability of the Chinese economy. To achieve these goals, the PRC government is expected to invest in improving social care services and ensure that all citizens have access to good education, fair income, quality health care, pension and affordable housing. Similar to the PRC, many countries in emerging regions have strong economic growth potential. However, since many of those countries are much smaller, their economies depend on one or a limited number of specific industries, meaning their economies do not have the resource or the stability of the PRC's economy.

Manufacturing in Regions Outside the PRC

Most manufacturers of outsourced luxury handbags and small leather goods in Europe and the United States are small- and medium-scale manufacturers with limited production capacity that are widely distributed across those regions. Strong design and development capability is their key competitive advantage, and they typically have established manufacturing histories and solid relationships with luxury handbag and small leather goods brands. However, due to rising manufacturing costs, in particular labor costs, an increasing number of these manufacturers have lost business to

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manufacturers in emerging markets or have themselves shifted their production to emerging markets. To the extent these manufacturers are not able to retain competitive advantages and offset the high cost of manufacturing in developed regions, it is expected that they will continue to lose market share to manufacturers in emerging regions.

Benefiting from the recovery of the luxury handbag and small leather goods retail market in the United States following the global economic crisis, the luxury handbag and small leather goods manufacturing industry in Latin America is expected to continue to grow steadily. However, both economic and political instability has limited the development of luxury handbag and small leather goods manufacturing industry in Latin America.

After the PRC, the South East Asian region has become the second most attractive region for manufacturers in the luxury handbag and small leather goods manufacturing industry. However, while many industries have started to outsource their manufacturing to South East Asia in search of lower labor costs, some luxury brands have been hesitant to do so since industry in most of the countries in that region is still at the formative stage, with lower levels of skilled labor, less developed infrastructure and more economic and political instability compared to other emerging countries, such as the PRC.

HIGH-END HANDBAG AND SMALL LEATHER GOODS MARKET IN CHINA

We recently launched our retail business in the PRC high-end handbag and small leather goods market. According to Frost & Sullivan, high-end handbag and small leather goods are primarily designed by international or local brands and have retail prices ranging between RMB1,500 to RMB3,000, compared to luxury brand handbag and small leather goods products that have retail prices over RMB3,000 and RMB1,500, respectively.

According to Frost & Sullivan, the PRC high-end handbag and small leather goods market is expected to experience rapid growth in the next five years due to the rapid expansion of middle class in the PRC. Trading-up from local brands to high-end international brands is also likely to drive the strong growth in high-end handbag and small leather goods market especially among the sub-markets in lower tier cities or younger-generation groups. High-end handbags and small leather goods products are especially popular among the population between the ages of 18 to 35, which often look for new designs and fashion trends in their handbag and small leather goods products. Handbag brands, especially in the high-end market, with foreign origins are becoming more popular than local brands as a result of the growing popularity of western culture in the PRC. The frequent consumption of high-end handbags and small leather goods is higher than that of luxury handbag and small leather goods due to the more affordable price range of high-end handbags and small leather goods. This favors brands with both design and manufacturing capabilities that are capable to continuously launching new products within short time frames to take advantage of new fashion trends.