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A Review of China's Apparel Market

China's apparel market is today one of the fastest growing in the world. Lured by the rosy prospect, apparel players at home and abroad are rushing to the market likes bees to honey. Nonetheless, as operating costs such as retail rentals climb and competition stiffens, pressure on apparel players is ever growing. Market consolidation is now gathering pace; and those with distinctive brand positioning, responsive supply chains, effective distribution and pricing strategies will stand out from the rest.

In this report, we are pleased to address the latest developments in China's apparel market. To further your understanding, we will also offer brief performance reviews of selected sub-sectors, including menswear (men's suits and men's shirts), ladies' wear, children's wear, casual wear (T-shirts, denim wear and jackets), sportswear and ladies' underwear.

I. Overview

1. A booming apparel market

According to the National Bureau of Statistics (NBS), annual disposable income of urban households increased 10.4% year-on-year (yoy) to 11,759 yuan while the annual net income of rural households increased 7.4% yoy to 3,587 yuan in 2006. In the first nine months of 2007, disposable income of urban and rural households rose further by 13.2% yoy and 14.8% yoy respectively. With ever-rising income, Mainland consumers are becoming more fashion-forward and are trading up to higher-priced and quality apparel products. Per capita annual expenditure on clothing continued its climb in 2006 — urbanites on average spent a tenth of their annual expenditure on clothing (902 yuan) while rural consumers spent approximately 6% of their expenditure on clothing (168 yuan). (See Exhibit 1).

Li & Fung Research Centre
Member of the Li & Fung Group
13/F, LiFung Centre, 2 On Ping Street, Shatin, Hong Kong.
Tel: (852) 2635 5563 Fax: (852) 2635 1598
E-mail: lfdc@lf1937.com http://www.lifunggroup.com/
Contact person: Ms Francesca Lim and Ms Teresa Lam

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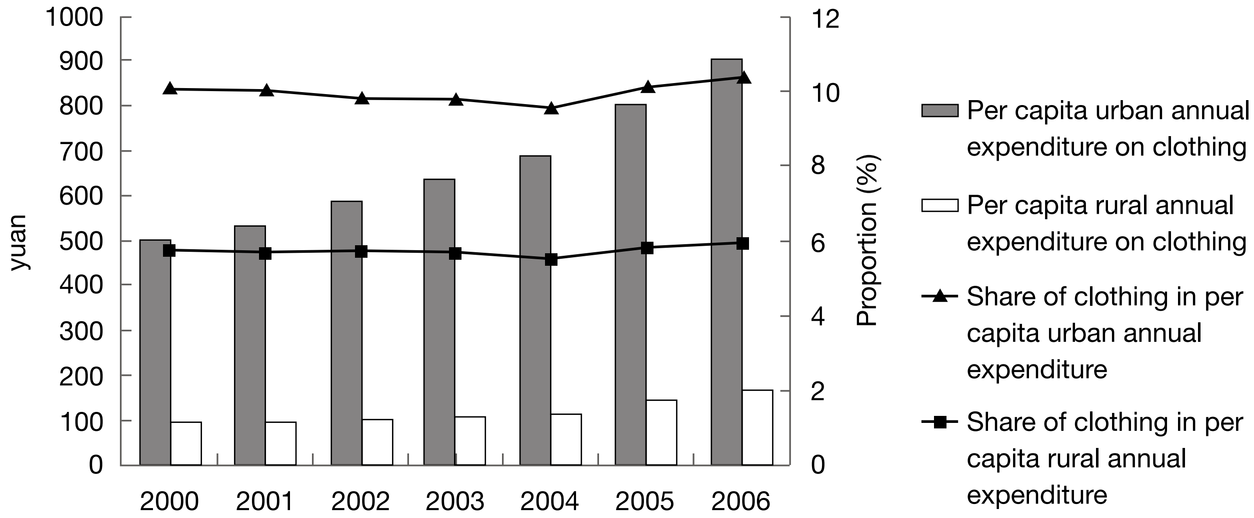
According to the NBS, the total retail value of clothing, shoes, hats and textiles by wholesale and retail enterprises above designated size registered an impressive growth of nearly 18% to reach 240.9 billion yuan in 2006.

Exhibit 1: Per capita annual expenditure on clothing* of urban and rural households, 2000-2006



Source: National Bureau of Statistics of PRC

* *"Clothing" here includes garments, clothing materials, footwear, hats, and other clothing, tailoring and laundering service fees.*

2. Impressive sales growth registered in various sub-sectors; ladies' wear constituted the largest sub-sector in the apparel market

The China National Commercial Information Centre (CNCIC) conducts monthly surveys to over 260 major department stores across China to monitor the developments of consumer goods market and exhibit 2 demonstrates the sales of various apparel categories in 2006 and the first half of 2007. Apparel sales in major department stores are on a healthy growth track; of which denim wear and T-shirts demonstrated outstanding growth in 2006.

1 Above designated size: with annual sales of over 5 million yuan and an employment of over 60 at year-end

Exhibit 2: Sales of various apparel categories in major department stores

	2007, H1		2006	
	Million pieces	yoy % growth	Million pieces	yoy % growth
Overall	182.0	14.9	350.9	15.3
Ladies' wear	50.5	17.2	101.4	18.7
Knitted underwear	32.7	6.7	57.3	13.3
Children's wear	13.9	15.7	27.0	11.6
Woolen wear	13.3	6.9	24.8	11.6
T-shirt	7.0	12.9	14.8	21.4
Thermal clothing	6.3	8.8	14.6	7.4
Trousers	6.5	0.0	12.5	12.7
Men's shirt	5.7	14.3	10.2	11.9
Men's suit	4.8	17.1	8.1	5.2
Jackets	3.5	10.4	6.5	5.7
Denim wear	2.2	3.8	5.1	23.9
Leather wear	0.4	50.7	0.7	20.0

Source: China National Commercial Information Centre (CNCIC)

Exhibit 3 illustrates the sales share of different product sectors from 2003 to 2006. Ladies' wear constituted the largest sub-sector in China's apparel market. Ladies' wear accounted for 28.9% of apparel retail volume sales in 2006, and was followed by knitted underwear (16.3%) and children's wear (7.7%).

Exhibit 3: Share of sales of different product sectors, 2003-2006 (%)

	2006	2005	2004	2003
Ladies' wear	28.9	28.6	26.6	25.9
Knitted underwear	16.3	16.6	18.6	20.5
Children's wear	7.7	8.0	8.1	8.0
Casual wear	4.2	7.5	8.4	7.8
of which: T-shirt	4.2	3.7	4.1	3.8
Jackets	1.9	2.0	2.2	2.1
Denim wear	1.5	1.7	2.1	1.9
Woolen wear	7.1	6.9	7.2	7.9
Menswear	5.3	5.8	6.6	7.0
of which: Men's shirt	2.9	3.1	3.5	4.0
Men's suit	2.3	2.7	3.1	3.0
Thermal clothing	4.2	4.3	3.6	3.8
Trousers	3.6	3.5	3.6	4.1
Leather wear	0.2	0.2	0.2	0.2
Others	19.3	18.7	17.1	14.8
Total	100	100	100	100

Source: China National Commercial Information Centre (CNCIC)

3. Competition intensifies in China's apparel market

China's apparel market is highly competitive. As numbers of existing players and new entrants embark on aggressive expansion, and more and more domestic apparel export enterprises consider selling in China due to less favorable export conditions, competitive pressure in the domestic market is ever intensifying.

Indeed, allured by the huge potential, more and more foreign apparel players have announced expansion plans in China. Fast-fashion retailers such as Zara, H&M, C&A and Topshop are setting foot in or will soon land in China. Ted Baker also plans to open 30 stores in China in 2008. Most of these foreign new entrants target the country's first- and second-tier cities first as consumers in these cities are generally more wealthy and fashion-conscious; and many choose to locate their first stores in Hong Kong and Shanghai, which are regarded as China's fashion hubs, to showcase their brands.

On the other hand, some big-name domestic apparel retailers are keen to extend their footprints to the less developed regions in China and hope to secure a firm foothold in these relatively less competitive markets. Leading casual jacket player Septwolves (七匹狼), for instance, will focus on growing its retail network in north-western China in 2008. Domestic retailers believe that they have an edge over their foreign counterparts in understanding local consumer cultures in inland regions.

Last but not least, Renminbi appreciation against the US dollar, increase in labor cost, raw material price hikes, the lowering of export tax rebates and competition from the lower-cost East Asian countries are exerting huge price pressures on many apparel exporters in China. As China's apparel market deliver more lucrative potential, more and more apparel exporters now eye the domestic opportunities and consider selling in China. Competition in China's apparel market is set to intensify further.

4. Easing downward pressure on clothing price

Despite fierce competition in the domestic marketplace, downward pressure on clothing prices is seemingly easing (see Exhibit 4). According to the NBS, downward trend in clothing price index is arrested; clothing price index remained unchanged in the first half of 2007 — clothing prices dropped by slightly 0.2% yoy in urban markets and grew by 0.5% in rural markets.

Exhibit 4: Clothing price index, 1998-2007, H1

	2007, H1	2006	2005	2004	2003	2002	2001	2000	1999	1998
yoy % change of clothing prices	–	-0.6	-1.7	-1.5	-2.4	-2.6	-1.9	-0.9	-3.4	-1.1

Source: National Bureau of Statistics of PRC

The easing price pressures can be attributable to robust demand and better pricing power of apparel enterprises. Instead of solely relying on price competition, there is a renewed focus on branding and supply chain management among many apparel enterprises in China. Being able to better meet new customer demand, these enterprises today enjoy better pricing power.

This echoes the findings by the CNCIC, which showed that apparel prices in major department stores across China were up by 17.6% yoy in the first five months of this year. As Chinese consumers today are growingly brand-conscious, prices of branded apparel products should enjoy higher-than-average growth.

Exhibit 5 demonstrates the performance of listed apparel enterprises in the first half of 2007. As shall be seen, domestic market-oriented apparel enterprises outperform the others; and those enterprises owning their fashion brands such as Youngor, Firs, Septwolves and Erdos demonstrate impressive growth.

Exhibit 5: Performance of listed apparel enterprises in China

	Operating revenue (billion yuan)	yoy % change	Operating profit (billion yuan)	yoy % change	Net profit (billion yuan)	yoy % change	Gross margin in 2007 H1	Gross margin in 2006 H1
Domestic market-oriented	***9.1***	***44.6***	***2.8***	***46.5***	***1.6***	***153.6***	***32.7***	***31.8***
Youngor 雅戈爾	3.4	16.9	1.3	30.8	1.3	239.4	39.5	35.4
Septwolves 七匹狼	0.3	72.3	0.1	61.1	0.0	37.2	34.6	37.0
Firs 杉杉股份	1.0	58.1	0.2	54.5	0.1	40.9	19.9	20.4
Erdos 鄂爾多斯	2.4	133.6	0.8	132.9	0.1	49.4	33.4	31.3
Hongdou 紅豆股份	0.7	37.7	0.1	5.4	0.0	7.1	16.0	21.2
Mailyard 美爾雅	0.1	14.0	0.0	7.4	0.0	33.6	37.5	39.2
Tianshan 天山紡織	0.2	33.8	0.0	51.8	0.0	35.6	19.3	17.0
Canal 凱諾科技	0.7	17.6	0.2	15.3	0.1	0.0	30.2	30.6
Rieys 雷伊 B	0.3	30.3	0.1	18.1	0.0	41.4	42.3	46.7
Export markets-oriented	***0.6***	***14.4***	***0.1***	***3.5***	***0.1***	***132.8***	***15.9***	***17.5***
Dayang Trands 大楊創世	0.4	49.0	0.1	29.7	0.0	177.2	20.1	23.0
Sanyou 江蘇三友	0.2	15.2	0.0	37.4	0.0	5.7	9.5	12.8

Source: WIND, China Galaxy Securities Research

5. Domestic enterprises stepping up efforts to improve their competitiveness

China's domestic apparel enterprises generally lag behind in branding. Although domestic brands have a strong position in the mass market, they receive little recognition in the most profitable mid-high to luxury segments. Striving to move up the value ladder, some domestic apparel enterprises are paying more attention to building brand equity. Their hard work pays off. This year, several apparel brands such as Bosideng (波司登), Firs (杉杉), Youngor (雅戈爾), ThreeGun (三槍), Hodo (紅豆), 虎都 (Fordoo) and Langsha (浪莎) were awarded the "China Top Brands".

Supply chain efficiency today plays a determining role in enterprises' success as tastes of growingly discerning Chinese consumers become more fickle than ever. Some domestic apparel enterprises strive to learn from foreign cheap-chic fashion players in enhancing their speed to market; and Zara's "react-rather-than-predict" strategy is the new buzzword in the industry. Besides, weather changes are also forcing enterprises to adopt more flexible supply chains. For instance, down garment leader Bosideng had suffered from slow moving inventory last year due to the unexpected warm winter. Enterprises now recognize the importance of responsive supply chains in order to react quickly with the changing weather.

Domestic players are also advancing their research and development capacity. Sportswear player Anta (安踏), for instance, established the country's first sports science laboratory in 2005 to improve technological know-how for greater comfort, safety, functionality and performance of its footwear and apparel. Its award-bearing "A-Cool" and "A-Core" technologies have helped the company boost sales across a range of products as well as improve profit margins.

We expect stronger domestic enterprises to emerge in the future. Exhibits 6 and 7 demonstrate the top 10 domestic apparel enterprises in terms of sales revenue and profits in 2006.

Exhibit 6: Top 10 domestic apparel enterprises by sales revenue, 2006

1	Youngor Group Co., Ltd 雅戈爾集團股份有限公司
2	Hongdou Industrial Co., Ltd 紅豆集團有限公司
3	Heilan Group 海瀾集團公司
4	Bosideng Co., Ltd 波司登股份有限公司
5	ShanShan Enterprise 杉杉投資控股有限公司
6	Qingdao Jifa Group 青島即發集團
7	Qingdao Redcollar Group Co. Ltd 青島紅領集團有限公司
8	China Judger Group 庄吉集團
9	Xinlang Sinoer Dress Co, Ltd 山東新郎希努爾集團股份有限公司
10	Fujian Seven Brand Group Co., Ltd 福建柒牌集團有限公司

Source: China National Garment Association (CNGA)

Exhibit 7: Top 10 domestic apparel enterprises by profits, 2006

1	Youngor Group Co., Ltd 雅戈爾集團股份有限公司
2	Bosideng Co., Ltd 波司登股份有限公司
3	ShanShan Enterprise 杉杉投資控股有限公司
4	Hongdou Industrial Co., Ltd 紅豆集團有限公司
5	Heilan Group 海瀾集團公司
6	Fujian Seven Brand Group Co., Ltd 福建柒牌集團有限公司
7	Xinlang Sinoer Dress Co, Ltd 山東新郎希努爾集團股份有限公司
8	Qingdao Redcollar Group Co. Ltd 青島紅領集團有限公司
9	Zhejiang Baoxiniao Garment Co. Ltd 報喜鳥集團有限公司
10	China Ting Group Holdings Limited 浙江華鼎集團有限責任公司

Source: China National Garment Association (CNGA)

6. Marketers exploring more exciting marketing methods

While traditional media such as print and television advertisements are thus far the most-often-used marketing tools in China, some marketers are also trying more high-profile promotional campaigns to impress consumers. Ports 1961, one of the leading luxury apparel players in China, is for instance the official sponsor for the 21st Century FOX picture "The Devil Wears Prada". The film has Ports visuals appearing throughout the movie and Ports' marketers hope to deliver a message — "The Devil Wears Prada, The Angel Wears Ports". Meanwhile, China's prominent sportswear company Li-Ning (李寧) is the official sponsor for Spainish men's and women's basketball teams, the French gymnastics team and the Sudanese national athletic team. The company sees these event sponsorships as golden opportunities to gain international exposure.

On the other hand, casual wear player Baleno has joined forces with Coca-Cola to launch summer design competition targeting teenage consumers. It is hoped that the crossover program will allow the two brands to leverage on each other's fame and create noise in the market.

7. Apparel retailers in China riding the rising tide of surging investors' interest in Mainland-consumer-market-focused stocks

On the back of China's booming economy and robust domestic demand, investors today have a huge appetite for China's retail-market stocks. Some apparel players in China are riding the tide of investors' growing interest in them and we witness several high profile initial public offerings (IPOs) in the mainland and Hong Kong stock exchanges this year such as the sports gear manufacturer and Kappa distributor China DongXiang (中國動向), down garment player Bosideng and sportswear maker and distributor Anta. Apparel manufacturer and retailer ITAT Group Ltd and casual clothing retailer Metersbonwe (美特斯邦威) also eye IPOs next year to tap capital.

Tapping funds in the capital market allow fashion retailers to have an alternative source of financing. It is today relatively easier for big-name players to tap funds for growth. Having more resources for expansion, we believe market consolidation in China's apparel market will gain further momentum.

II. Performance reviews of selected apparel product sectors

In this session, we offer you performance reviews of selected product sectors, namely, menswear (men's suits and men's shirts), ladies' wear, children's wear, casual wear (T-shirts, denim wear and jackets), sportswear and ladies' underwear to help you grasp a better picture of the market.

1. Menswear

(1) Stable but slower-than-average growth in the menswear sector

China's menswear sector comprises men's suits and men's shirts. The sector has witnessed stable growth over the past few years, with growth in sales volume exceeding 70% between 2001 and 2006.

However, the menswear sector is developing at a slower-than-average pace. Sales volume growth of menswear was 8.5% in 2006, with sales volume of men's suits grew by 5.2% to 8.1 million pieces and men's shirts by 11.9% to 10.2 million pieces respectively (See Exhibit 2). The share of menswear in total apparel sales has shrunk from 8.8% in 2001 to 5.3% in 2006. Today, the size of the menswear market in China is just around one-fifth of the ladies' wear market.

(2) Copycat phenomenon poses huge competitive challenge

The sector has much room for improvement on design innovation. Many smaller menswear players in China are weak in design capabilities and it is common to find companies ripping off the designs of well-known brands. The copycat phenomenon has resulted in product homogeneity, hurting the margins of many Chinese menswear players.

(3) Menswear sector embracing more casual elements

The menswear sector is embracing more casual elements. While business formals are still the mainstream, business casuals are fast gaining popularity, particularly in the younger working population. As the country increasingly exposes to western fashion trends, business casuals are likely to demonstrate faster growth than business formals.

(4) Brand performance: men's suits

(i) Higher market concentration with domestic brands leading in sales volume

Exhibit 8 demonstrates the brand performance of men's suits in 2005 and 2006. The sector was slightly more concentrated in 2006 and the top 10 brands accounting for above 40% of the market share. Topping the list for years, Youngor had a market share of 16% and was the distinct leader in the sector.

Domestic brands outperformed their foreign counterparts in terms of sales volume. In 2006, there were 6 domestic brands within the top 10. Goldlion, Playboy, Pierre Cardin and Selon were the 4 foreign brands on the list.

Exhibit 8: Brand performance of men's suits: share of total sales, 2005 – 2006

2006		2005	
Brand	*** Share of total sales (%)**	**Brand**	*** Share of total sales (%)**
Youngor 雅戈爾	16.13	Youngor 雅戈爾	15.84
Romon 羅蒙	5.01	Romon 羅蒙	5.63
Firs 杉杉	4.21	Firs 杉杉	4.29
Goldlion 金利來	3.55	Saint Angelo 報喜鳥	2.96
Playboy 花花公子	3.31	Playboy 花花公子	2.41
Saint Angelo 報喜鳥	3.08	Baromon 培羅蒙	2.11
Rouse 洛茲	2.35	Selon 勝龍	1.83
Pierre Cardin 皮爾卡丹	1.92	Rouse 洛茲	1.80
Baromon 培羅蒙	1.64	Pierre Cardin 皮爾卡丹	1.71
Selon 勝龍	1.36	Hubao 虎豹	1.67
Others	57.43	Others	59.75
Total	100	Total	100

Source: China National Commercial Information Center (CNCIC)

* *Share of total sales (%): Sales volume of the brand/ total sales volume*
(sales volume refers to the total quantity sold of the product category by the surveyed retailers)

(5) Brand performance: men's shirts

(i) Domestic brands took the lion's share

The top 10 brands in the sector accounted for nearly half of the market share in 2006 (see Exhibit 9). Brand performance was stable in 2006 with the top 5 showing no change in respective ranking. Again, Youngor was the lead of the pack in 2006.

Domestic brands have achieved dominance in the men's shirts sector; Hong Kong-based Goldion was the only foreign brand within the top list.

Exhibit 9: Brand performance of men's shirts: share of total sales, 2005-2006

2006		2005	
Brand	*** Share of total sales (%)**	**Brand**	*** Share of total sales (%)**
Youngor 雅戈爾	15.11	Youngor 雅戈爾	14.00
Rouse 洛茲	6.84	Rouse 洛茲	7.68
Conch 海螺	6.62	Conch 海螺	7.60
Hongdou 紅豆	4.86	Hongdou 紅豆	3.89
Peacebird 太平鳥	4.44	Peacebird 太平鳥	3.63
Kaikai 開開	3.89	Kaikai 開開	3.50
Romon 羅蒙	2.79	Qinman 琴曼	3.41
Goldlion 金利來	2.52	Virtue 富紳	2.52
Virtue 富紳	1.99	Firs 杉杉	2.06
Qinman 琴曼	1.75	Romon 羅蒙	1.89
Others	49.20	Others	49.82
Total	100.01	Total	100

Source: China National Commercial Information Center (CNCIC)

2. Ladies' wear

(1) A promising market with excellent growth

Accounting for a nearly-30% share of overall apparel sales in 2006, ladies' wear constitutes the biggest sub-sector of China's apparel market. Over the past 5 years, the sector has expanded by 322.3%. In 2006, the sector grew impressively by 18.7%.

And the outlook is promising. Indeed, the rise of female consumerism in China is fuelling the robust growth of ladies' wear market. According to TNS, China has one of the highest rates of female employment in the world — nearly 80% of adult Chinese women are employed in the workforce. Rising economic status is giving Chinese females better discretionary power in own spending, which is a definite positive for the ladies' wear market.

(2) Huge attention on the young ladies' wear segment; ladies' wear market for mature age groups relatively less developed

The rapidly developing ladies' wear market in China, however, demonstrates imbalanced developments. The young ladies' wear segment in China is getting most of marketers' attention. For instance, most of the best known brands such as Etam and Only are targeting the most lucrative young ladies segment. On the other hand, the ladies' wear market for mature female groups is relatively lacklustre with few recognizable brands.

(3) Brand performance: ladies' wear

(i) Highly fragmented market scene; foreign brands demonstrated impressive performance

Although the top brands were grabbing more market share, the ladies' wear market remained highly fragmented. Up by nearly 9%, the top 10 brands accounted for around 30% of the market share in 2006 (see Exhibit 10). Etam again topped the list. Nonetheless, its leading position was increasingly challenged by Only and Esprit and the two were the close second and third.

Unlike many other sub-sectors, foreign players were hugely successful in the ladies' wear market. There were 8 foreign brands on the top list; "Zuo'er mei" and HuaXin, came at number 9 and 10, were the top two domestic brands.

Exhibit 10: Brand performance of ladies' wear: share of total sales, 2005-2006

2006		2005	
Brand	*** Share of total sales (%)**	**Brand**	*** Share of total sales (%)**
Etam 艾格	6.24	Etam 艾格	6.62
Only	5.30	Esprit	2.55
Esprit	4.27	Only	2.22
VERO MODA	3.18	Girdear 哥弟	2.09
E-LAND 衣戀	2.11	Yishion 以純	1.84
Tangy 天意	2.09	Etam Weekend 艾格周末	1.35
Girdear 哥弟	1.90	HuaXin 華鑫	1.09
Etam Weekend 艾格周末	1.80	VERO MODA	1.06
"Zuo'er mei" 佐爾美	1.34	"Zuo'er mei" 佐爾美	1.00
HuaXin 華鑫	1.32	Sierli 斯爾麗	0.75
Others	70.45	Others	79.43
Total	100	Total	100

Source: China National Commercial Information Center (CNCIC)

3. Children's wear

(1) Children's wear market benefiting from the Little Emperor phenomenon

A lot of marketers are today eyeing China's children wear market. Though the one-child policy has contributed to the declining children population in China, children today are getting more attention than in the past under the 4-2-1 inverted family structure (4 grandparents and 2 parents taking care of 1 child). This boosts the development of the children's wear sector. In 2006, sales volume of children's wear grew by 11.6% to reach 27.0 million pieces.

In fact, gift purchase by the older generations plays a much significant role in the consumption of children's wear. Sales of children's wear peak in festive Golden Weeks (May Day holiday, the National Day holiday, and the Spring Festival) and the Children's Day.

(2) Brand performance: children's wear

(i) No distinct leader in the children's wear sector

The promising children's wear market has invited keen competition. Exhibit 11 demonstrates the brand performance of children's wear in 2005 and 2006. Market share of the top 10 brands was stable at around 32% in both years. LawLandee, Shuihaier and Yaduo were again the top three players in 2006; yet, the gap between them and other top 10 players was minimal.

Out of the top performers in 2006, 3 brands were foreign including Mickey's, Littlebobdog, and ABC.

Exhibit 11: Brand performance of children's wear: share of total sales, 2005-2006

2006		2005	
Brand	**Share of total sales (%)**	**Brand**	**Share of total sales (%)**
LawLandee 派克蘭帝	4.08	LawLandee 派克蘭帝	4.39
Shuihaier 水孩兒	3.81	Shuihaier 水孩兒	3.79
Yaduo 雅多	3.66	Yaduo 雅多	3.71
Les Enphants 麗嬰房	3.57	Les Enphants 麗嬰房	3.64
Mickey's 米奇妙	3.15	Mickey's 米奇妙	3.52
Littlebobdog 巴布豆	3.06	M-linge 蔓琳格	3.10
Pepco 小豬斑納	2.88	Pepco 小豬斑納	3.05
BalaBala 巴拉巴拉	2.82	Littlebobdog 巴布豆	2.55
M-linge 蔓琳格	2.70	Annil 安拉爾	2.29
ABC	2.50	Smiling 笑咪咪	2.27
Others	67.79	Others	67.69
Total	100	Total	100

Source: China National Commercial Information Center (CNCIC)

4. Casual wear

The casual wear sector comprises jackets, T-shirts and denim wear.

(1) Sector on a fast growth track

In 2006, the sector witnessed a strong 17.9% sales volume growth — of which the sales of jackets grew by 5.7% to 6.5 million pieces, T-shirts increased by 21.4% to 147.8 million pieces and denim wear jumped by 23.9% to 5.13 million pieces. As more and more Chinese consumers embrace leisure lifestyle, the sector is set to demonstrate faster-than-average growth.

(2) Brand performance: jackets

(i) Domestic brands have a dominant share

In 2006, the top 10 players accounted for around a quarter of the market share (see Exhibit 12). Domestic brands fared very well in this sector with a total of 9 domestic brands on the list. Leading the market for 6 consecutive years, market share of Septwolves was slowly eroding, though.

Exhibit 12: Brand performance of jackets: share of total sales, 2005-2006

2006		2005	
Brand	*** Share of total sales (%)**	**Brand**	*** Share of total sales (%)**
Septwolves 七匹狼	5.85	Septwolves 七匹狼	8.59
"Jin ba" 勁霸	3.67	"Xiong pai" 雄牌	2.15
Bosideng 波司登	3.61	"Jin ba" 勁霸	2.02
JOE|ONE 九牧王	2.75	JOE|ONE 九牧王	1.85
"Xiong pai" 雄牌	2.53	Bosideng 波司登	1.80
Seven 柒牌	1.70	Seven 柒牌	1.66
Semir 森馬	1.52	ZhouYan 洲艷	1.62
Texwood 蘋果	0.80	Montagut 夢特嬌	1.20
Ltwfrane 老人頭	0.63	Hongdou 紅豆	1.05
Taizilong 太子龍	0.43	Laoyeche 老爺車	0.90
Others	76.50	Others	77.16
Total	100	Total	100

Source: China National Commercial Information Center (CNCIC)

(3) Brand performance: T-shirts

(i) Market concentration of the T-shirt sector relatively high

Market concentration of the T-shirt sector was relatively high with the top 10 brands grabbing over 40% of market share in 2006 (see Exhibit 13). Baleno was the leader again in 2006; and its market share was expanding fast, widening the gap between it and other rivals.

Foreign brands continued to win consumer preference. Nonetheless, some stronger local players such as Semir, Metersbonwe and Yishon had emerged in recent years. We expect the fast growing T-shirt sector will allure more domestic players to join the battlefield.

Exhibit 13: Brand performance of T-shirts: share of total sales, 2005-2006

2006		2005	
Brand	*** Share of total sales (%)**	**Brand**	*** Share of total sales (%)**
Baleno 班尼路	12.48	Baleno 班尼路	8.79
Giordano 佐丹奴	6.77	Jeanswest 真維斯	7.74
Jeanswest 真維斯	5.77	Crocodile 鱷魚恤	5.42
Semir 森馬	4.47	Giordano 佐丹奴	5.21
Metersbonwe 美特斯邦威	4.17	Metersbonwe 美特斯邦威	3.75
Yishion 以純	3.86	Yishion 以純	3.02
Septwolves 七匹狼	1.52	Semir 森馬	2.89
Feel 100% 柏仙多格	1.28	Feel 100% 柏仙多格	1.87
Playboy 花花公子	1.10	Montagut 夢特嬌	1.85
Montagut 夢特嬌	0.95	Goldlion 金利來	0.54
Others	57.63	Others	58.92
Total	100	Total	100

Source: China National Commercial Information Center (CNCIC)

(4) Brand performance: denim wear

(i) Key players consolidating their leading positions

In 2006, major players were consolidating their position and there were no new entries into the top 10 lists. Boton, Kipone and Weipeng were the most prominent players and each of them achieved over 10% of the market share (see Exhibit 14).

Exhibit 14: Brand performance of Denim wear: share of total sales, 2005-2006

2006		2005	
Brand	*** Share of total sales (%)**	**Brand**	*** Share of total sales (%)**
Boton 波頓	12.22	Kipone 旗牌王	13.03
Kipone 旗牌王	11.43	Boton 波頓	11.86
Weipeng 威鵬	10.79	Weipeng 威鵬	11.23
Metersbonwe 美特斯邦威	6.02	Jianlong 劍龍	4.44
Braxton 霸獅騰	3.44	Metersbonwe 美特斯邦威	4.32
Jianlong 劍龍	3.23	Lanyan 蘭雁	4.11
Texwood 蘋果	3.14	Baleno 班尼路	4.11
Jeanswest 真維斯	3.04	Jeanswest 真維斯	3.10
Lanyan 蘭雁	2.74	Texwood 蘋果	2.43
Baleno 班尼路	2.69	Braxton 霸獅騰	2.33
Others	41.26	Others	39.02
Total	100	Total	100

Source: China National Commercial Information Center (CNCIC)

5. Sportswear

(1) Increasing health awareness and the 2008 Olympic Games boosting the sportswear sector

According to Shanghai-based sports marketing and consulting firm ZOU Marketing, China's sportswear market has experienced double-digit growth since 2000, with the 2005 sportswear market size at approximately RMB25 billion. It is expected that the market size would almost double in size by 2008 to RMB46 billion, representing a forecast CAGR of 22.6%.

Increasing health awareness and the drawing near of the Beijing Olympic are definitely spurring the demand for sportswear in China. To tap the huge potential, a number of sportswear players have been rapidly expanding their distribution network. Nonetheless, some industry players also warn that if the sports fad cools down after the Olympic; rapid expansion of sales network may pose heavy burden on some players.

(2) Brand performance: sportswear

(i) Sportswear market in China largely brand-driven; market consolidation expected to continue

Exhibit 15 demonstrates the brand share of top sportswear players in 2006. The top sportswear brands have a major influence over the market with the top 10 accounting for a stunning market share of nearly 80%. The top 3 - Nike, Adidas, and Li Ning - demonstrated very solid performance and they claimed 60% of the market share.

Exhibit 15: Brand performance of sportswear: share of total sales and market coverage ratio, 2006

	2006 Brand * Share of total sales (%)
Nike 耐克	22.22
Adidas 阿迪達斯	21.54
Li Ning 李寧	16.82
Mizuno 美津濃	4.79
Anta 安踏	3.51
Kappa 背靠背	3.22
Qiaodan 喬丹	2.13
Puma 彪馬	1.55
Converse 匡威	1.25
361° 三六一度	1.23
Others	21.73
Total	100

Source: China National Commercial Information Center (CNCIC)

Chinese consumers, especially the urbanites, have strong preference towards several leading sportswear brands; this has significantly raised the entry threshold in the branded sportswear market due to the resources and time required to build brand awareness. It is anticipated that leading brands will continue to gain market share at the expense of less established brands.

6. Ladies' underwear

(1) An important segment of the underwear market

As illustrated in Exhibit 3, knitted underwear was the second largest sub-sector in China's apparel market and accounted for 16.3% of total apparel sales in 2006. The underwear sector is estimated grow by an annual rate of 20% in the next decade.

The ladies' wear is the most important underwear segment. According to the CNCIC, ladies' underwear accounted for 60% of the underwear sales in 2006.

(2) Brand performance: ladies' underwear

(i) Market concentration slightly lower in 2006

Market concentration was slightly lower in 2006 with the top 10 performers accounted for around 60% of the total market share. With a market share of 12%, Maniform took the place of Aimer and was the domestic leader (see Exhibit 16).

Exhibit 16: Brand performance of ladies' underwear: share of total sales, 2005-2006

2006		2005	
Brand	*** Share of total sales (%)**	**Brand**	*** Share of total sales (%)**
Maniform 曼妮芬	12.25	Aimer 愛慕	9.80
Aimer 愛慕	9.85	Maniform 曼妮芬	9.78
Embryform 安莉芳	8.03	Triumph 黛安芬	8.87
Triumph 黛安芬	6.60	Embryform 安莉芳	7.88
Gujin 古今	6.47	Sunflora 桑扶蘭	7.43
Sunflora 桑扶蘭	5.97	Gujin 古今	6.68
Ordifen 歐迪芬	5.06	Ordifen 歐迪芬	5.30
Venies 芬怡	1.54	AB	2.88
Gracewell 婷美	1.22	Gracewell 婷美	1.87
Three Gun 三槍	0.94	Three Gun 三槍	1.62
Others	42.07	Others	37.89
Total	100	Total	100

Source: China National Commercial Information Center (CNCIC)