



THE MARKET

Erdos Cashmere Group Co Ltd, which was established via compensation trade in 1981, is an enterprise that processes cashmere products.

The group has over 20,000 employees in 75 member firms, with total assets of 7.5 billion yuan and annual sales of 4 billion yuan. It also has grown into a modern corporate group involved not only in processing cashmere but also in general trading, power generation and metallurgy. Erdos Group's production and marketing capabilities for cashmere products cover 40% of the Chinese market and 30% of the global market.

Based on statistics of over 600 sales outlets in 29 provinces compiled by the National Commercial Information Centre, Erdos cashmere sweaters had 11.1% of the sales share in 2003 – 2.5 times that of the second-ranking brand Precious Shell and four times that of Deer King which came third. Another survey of more than 500 sales outlets made by the National Statistics Bureau showed that in 2003, 32 cashmere brands sold 5.1 million pieces valued at 3.4 billion yuan. In this tally, Erdos again took first place with 17.15% of the sales volume and 23.7% of the sales output. Its market share equalled the combined total of the next three brands, and it was the seventh consecutive year that Erdos maintained its top place.



Processing mills have been established in Mongolia.

was known only for rudimentary processing of raw wool and export of cashmere. At the end of 1992, Erdos Garment Performance Group was established in more than 20 big cities including Beijing and Dalian to promote the brand image. In August 1993 Dongsheng Cashmere Industry Development Co of Inner Mongolia was renamed Erdos Cashmere Group Co of Inner Mongolia. In 1994 Erdos Cashmere Sweater Factory, the leading enterprise of the group, was listed among the 100 best enterprises in China and the top ten textile enterprises by the National Statistics Bureau.

In August 1995 the 50th World Statistics Conference was held in Beijing and Erdos Group Co earned itself the title of King of Chinese Cashmere Products. In September 1995 Erdos was listed on the Shanghai Stock Exchange. The name of the company was changed to Erdos Cashmere Products Co Ltd. In April 1997 the group was listed by the State Council among 120 experimental group enterprises. In February 1998 Erdos was ranked first in the textile industry by the Beijing conference organised to study China's the most valuable brands.

ACHIEVEMENTS

The group has been listed as one of 100 Biggest Self-managing Export Firms of China for five consecutive years. Erdos brand cashmere garments have twice won Golden Awards for excellent quality at the national level, Excellence Awards at the state ministerial level (nine times) and Excellence Awards at the provincial level (34 times). Its products have bagged more than 100 honours such as China's Top Products, Most Competitive Products and Most Influential Products. Its leading products have been listed as the first in developing famous brand commodities for export by the Ministry of Foreign Trade & Economic Co-operation. Federated Merchandising, the giant US chain store has conferred five-star ratings to Erdos products in five out of seven years.



THE PRODUCT

The group produces a variety of products:

- 5 million cashmere garments a year
- 1,200 tons of de-haired goat's wool
- 1,800 tons of cashmere yarn
- 700,000 square metres of cashmere fabrics
- 1 million cashmere shawls and capes
- 50,000 cashmere suits
- 1.1 million cashmere shirts
- 600,000 worsted wool garments

Among its leading products, KVSS brand de-haired goat's wool is publicly known as "No.1 de-haired goat's wool of China" and enjoys the reputation of "diamond fibre".



In 2003 Erdos' sales outlets increased from 1,400 to more than 1,500 including 595 special sales halls in shopping centres, 86 self-managed shops and 820 co-operative shops. The floor area of its shops totalled about 60,000 square metres and the reach of urban outlets was 78.4%, 15.6% more than in 2002. The group has formed seven international sales subsidiaries (with 30 direct sales outlets) in Los Angeles, Tokyo, London, Moscow, Cologne, Hong Kong and Milan.



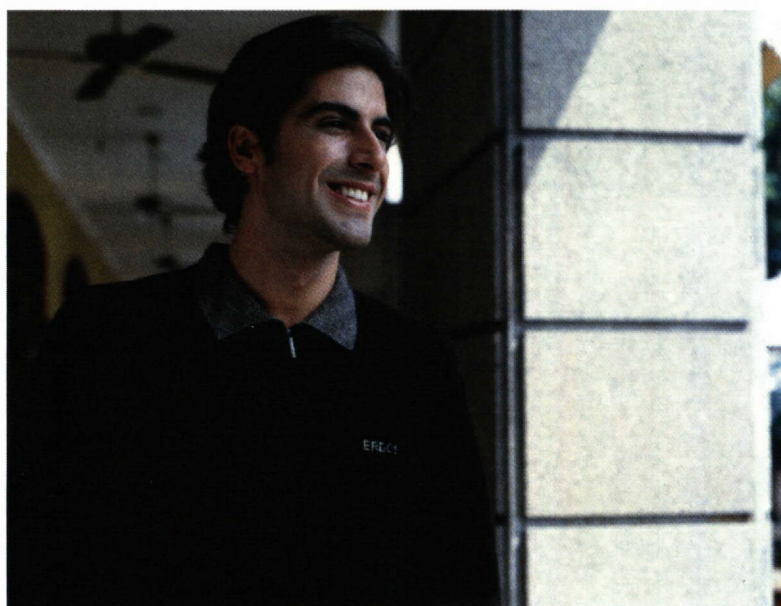
HISTORY

The Yimeng Cashmere Sweater Factory started production in October 1981 with an investment of 33.55 million yuan. Until then China

RECENT DEVELOPMENTS

After 20 years of effort, Erdos has created a well-known Chinese brand, a trend the group wants to enhance. Lately it has been concentrating on expanding its international sales network, having established a dozen shops of its own overseas, including the US, Japan, Britain, Italy, France and Russia. It has also stressed scientific and technological improvements of its products to cater to international needs. Among the new product lines are shirts, shawls, overcoats, surface materials, western-style clothes and ties.

Another area of recent emphasis has been a comprehensive system of after-sales service. In the group's subsidiaries all over the country there are specialists in charge of after-sales service and problems are attended to promptly. At the group headquarters, a free 24-hour hot line has been set up. In co-operation with shopping malls, the group conducts customer seminars to introduce them the features and maintenance requirements of its products. Erdos also invites



advertising on CCTV; a road show to 20 large cities; monopoly shops and special sales halls; a brand image upgrade; participation in major community and cultural activities; and constant interaction with the mass media on topics of interest (for instance, in 1998 Erdos joined with enterprises such as Anshan Steel, Changhong and Haier in initiating a price discipline movement).

BRAND VALUES

The essence of Erdos

Group's corporate culture lies in the ideal: "Establish national dignity and develop a world famous brand". It aims to promote among the staff corporate "wisdom, bravery, pioneering spirit and innovation", and the rules of behaviour of "loyalty, responsibility, pursuit".

customers to visit its factories and carries out consumer surveys of its products and services.

PROMOTION

Erdos group's marketing strategy is aimed at strong simultaneous in both the domestic and foreign markets. The group has established 32 sales corporations, 19 business representative offices, 31 merchandise dispatching and distributing centres and more than 1,000 sales outlets around China.

Other recent promotional activities include: prime-time



THINGS YOU DIDN'T KNOW ABOUT ERDOS

- In January 1999 the Erdos brand gained the title, China's Famous Brand, making it the first premium brand in the Chinese cashmere textile industry
- The brand has been registered in Germany, France, Mongolia, Italy, Britain and the US. Sales companies and monopoly shops have been set up in Germany and Japan
- In July 2000 Erdos Group signed an agreement with six municipal governments to support Project Hope in those locales and donated 1.2 million yuan to set up six schools
- In August 1998 the group together with its whole staff pitched in for disaster relief. In addition to the 1 million yuan donation, products worth more than 1 million yuan were contributed by the group, and the staff chipped in 122,950 yuan and 10,000 pieces of clothing
- In August 1998 the group donated a 1 million yuan to the Zhemeng disaster fund