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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this Prospectus are derived from various official government sources as well as from a report we commissioned from Euromonitor, which may or may not be consistent with other available information and should not be unduly relied upon. This Prospectus also contains information and statistics that have been extracted from various private publications, none of which were commissioned by us. We believe that the private sources of information and statistics are appropriate and have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render them false or misleading. While we have exercised reasonable care in reproducing such information and statistics, they have not been independently verified by us, the Sole Sponsor, their respective directors and advisors or any party involved in the Global Offering, and no representation is given as to the accuracy of such information and statistics.*

### OVERVIEW OF THE PRC ECONOMY

#### Economic Growth

The PRC economy has experienced persistent and high growth since its government introduced economic reforms in the late 1970s. In 2010, the PRC economy overtook Japan as the world's second largest economy behind the United States. According to the National Bureau of Statistics of China, the PRC's nominal gross domestic product, or GDP, grew at a CAGR of approximately 15.4%, from approximately RMB26,581 billion in 2007 to approximately RMB47,156 billion in 2011. Nominal GDP per capita in the PRC grew at a CAGR of approximately 15.0%, from approximately RMB20,118 in 2007 to approximately RMB35,168 in 2011, and was among the highest of developing countries in the Asia Pacific region.

#### Urbanisation

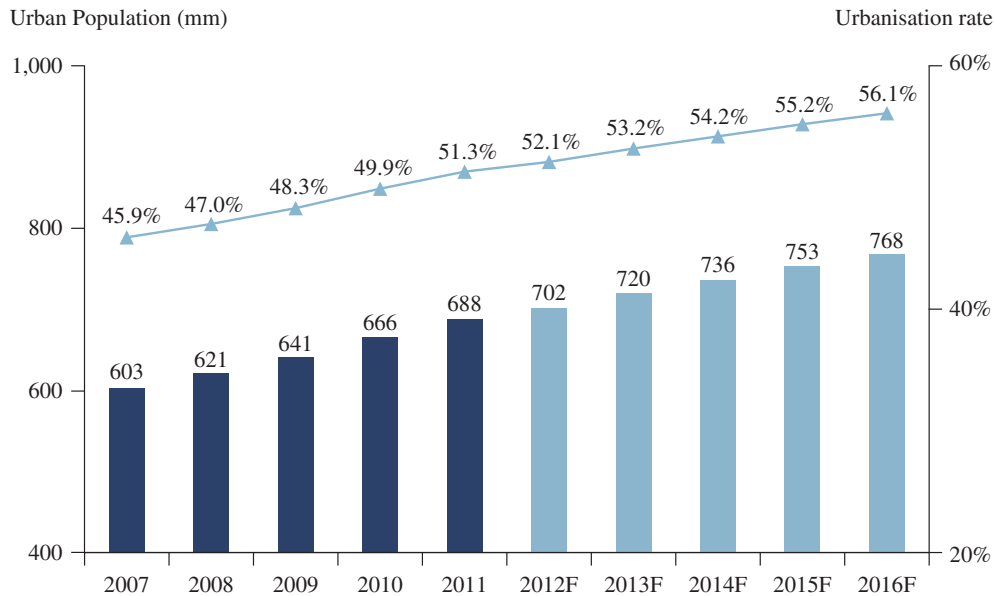
Modernisation and industrialisation has fueled the migration of rural populations to urban areas and the development of towns into cities. According to the National Bureau of Statistics of China, total urban population in the PRC increased from approximately 603 million in 2007 to approximately 688 million in 2011, and according to Euromonitor, total urban population in the PRC is estimated to reach approximately 768 million in 2016.

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### 2007-2016F Growth of Urbanisation and Urban Population in the PRC



Source: National Bureau of Statistics of China; Euromonitor estimates

### Surging Purchasing Power in a Consumption-Focused PRC Economy

Benefiting from sustained economic growth, PRC households have sustained a steady increase in their disposable income. According to the National Bureau of Statistics of China, per capita annual disposable income in the PRC had risen at a CAGR of approximately 13.2%, from approximately RMB11,474 in 2007 to approximately RMB18,815 in 2011.

Sustained growth in disposable income per capita resulted in high spending by PRC consumers on discretionary mid-range consumer goods and services, and discounted high-end goods and designer brands. Annual consumer expenditure rose from approximately RMB9,561 billion in 2007 to approximately RMB15,187 billion in 2011, representing a CAGR of 12.3%.

While purchasing power increases as disposable income rises, consumption by PRC households is set to increase further as a result of the 12th Five-Year Plan (2011 to 2015), in which the PRC Government, through the implementation of certain policy measures to discourage high savings and boost private consumption, aims to shift the focus of the PRC economy away from export-led growth towards domestic consumption and services.

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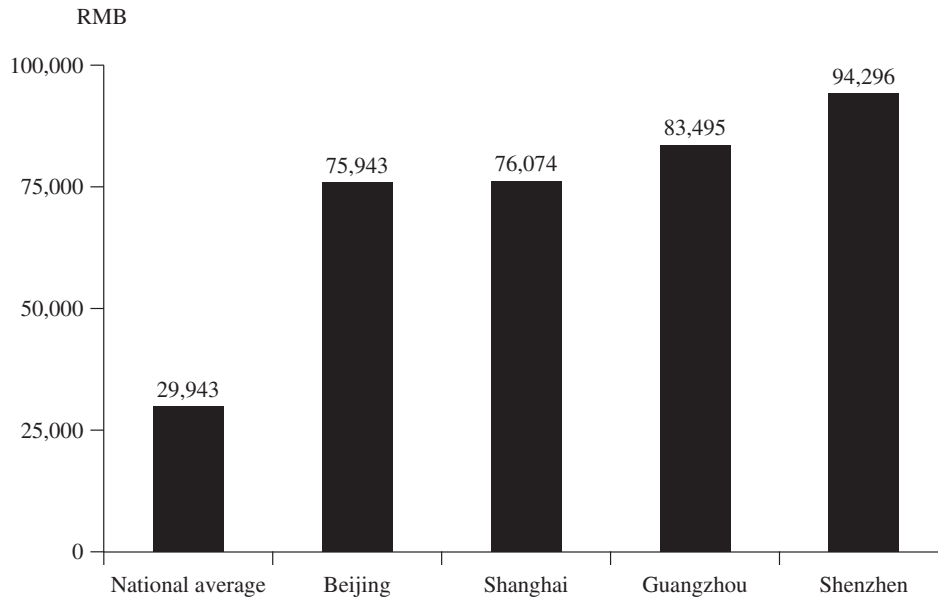
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### Geographic Characteristics

Due to the differences in the pace of economic development, the PRC's tier 1 cities, which include Beijing, Shanghai, Guangzhou and Shenzhen, have a per capita GDP significantly higher than the national average.

**Per Capita GDP by Location – PRC 2010**



*Source: National Bureau of Statistics of China*

We anticipate regionally significant cities to be central to future economic growth in the PRC. According to the Jones Lang LaSalle Research Report 2012, 50 regionally significant cities<sup>1</sup>, including various cities in the Bohai Ring, the Yangtze River Delta and the Pearl River Delta, and various provincial capitals of inland provinces, accounted for approximately 26% of the PRC's GDP in 2011 and will continue to grow at a faster pace than the rest of the PRC accounting for approximately 32% of the PRC's GDP by 2020.

1. Chengdu, Chongqing, Shenyang, Hangzhou, Tianjin, Dalian, Wuhan, Suzhou, Nanjing, Qingdao, Xiamen, Xi'an, Ningbo, Changsha, Hefei, Zhengzhou, Wuxi, Dongguan, Jinan, Fuzhou, Kunming, Changchun, Harbin, Foshan, Shijiazhuang, Nanning, Changzhou, Nanchang, Hohhot, Wenzhou, Yantai, Nantong, Zhuhai, Guiyang, Taiyuan, Urumqi, Shaoxing, Zhongshan, Jiaxing, Weifang, Tangshan, Xuzhou, Jinhua, Quanzhou, Luoyang, Lanzhou, Haikou, Jilin, Xiangyang, Shantou

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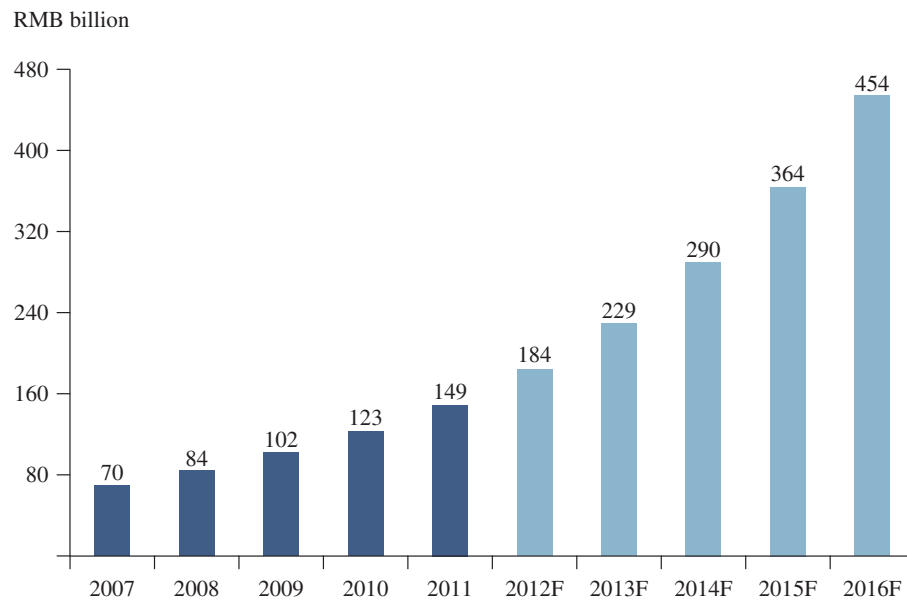
### THE PRC BEDDING TEXTILE MARKET<sup>2</sup>

#### Overview

Benefiting from rapid economic development, the PRC bedding textile market has sustained robust growth. According to Euromonitor, the PRC bedding textile market had grown at a historical CAGR of approximately 20.9% from 2007 to 2011 based on retail value sales, with retail value sales exceeding RMB149 billion in 2011.

The growth of the PRC bedding textile market is estimated to accelerate in the near future. According to Euromonitor, the retail value sales of the PRC bedding textile market is estimated to grow at a CAGR of approximately 25.3% from 2012 to 2016, by which time the annual retail value sales of the market is estimated to exceed RMB450 billion, tripling its size in 2011.

#### PRC Bedding Textile Market Retail Value Sales 2007-2016F



Source: Euromonitor

2. The PRC bedding textile market includes bedding products such as bed sheets, pillowcases, blankets, plaids, duvets and quilts, and set-packs, which consist of bed linens, pillowcases and any of the singular products mentioned above. These products are made of textiles, synthetic materials, leather, animal skins or fur, or any combination thereof.

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### **Key Characteristics and Development Trends of the PRC Bedding Textile Market**

#### ***Highly Fragmented***

According to Euromonitor, the PRC bedding textile industry is highly fragmented, with no dominant player that has secured a leading position on a multi-segmental or national level. Leading brands specialise in a certain price tier and their presence tends to be regional. In 2011, the four largest brands in the PRC premium and high-end bedding textile market combined to account for 6.7% of the total market share value in the entire market. In addition, the broad range of products and brands, expansive price range and the wide spectrum of purchasing power of consumers have resulted in price segmentation in the PRC bedding textile market.

#### ***Sophisticated Demand and Increasing Brand Awareness***

Recently, as a result of the rapid development of the PRC economy and the corresponding improvements in the standard of living, consumer demand for bedding textile products in the PRC has become increasingly sophisticated. In addition to their basic functionality, bedding textile products are now being evaluated on their design and fashionableness, uniqueness, comfort level and safety.

As consumers become increasingly willing to pay for enhanced product features, established bedding textile brand operators seek to accommodate their evolving demands through constant product enhancements, nurturing an increasing sense of brand awareness amongst consumers in the PRC.

#### ***Segmental Discrepancies in Barriers to Entry***

The mass-mid segment in the PRC bedding textile market is characterised by low entry barriers, in which small set-ups or individuals often manufacture bedding products on a limited scale and sell them locally.

In the high-end, premium and luxury segments of the PRC bedding textile market, leading bedding textile brand operators have established high standards in manufacturing capacity, product development and design capabilities, raw materials innovation and marketing strategies, all of which significantly increase the resource requirements for potential new entrants and pose significantly higher entry barriers.

### **Key Growth Drivers of Consumption of Bedding Textile Products in the PRC**

The PRC bedding textile market has recorded remarkable growth in recent years, outpacing growth in GDP, disposable income and consumption. We anticipate that demand for bedding textile products will continue growing in the PRC, driven by the following factors:

- rapid urbanisation and a high marriage rate have and will continue to fuel rapid growth in the demand for bedding textile products as marriage, followed by relocation to a new home, provides an incentive for consumers to purchase new bedding textile products. According to Euromonitor, 80% of housing upgraders and newlyweds are expected to purchase new bedding textiles upon relocation;

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- sustained increase in disposable income freeing up purchasing power of PRC households to increase consumption on discretionary goods; and
- the continuous trend of “consumers’ premiumisation” taking place in the PRC, marked by an increase in the willingness of consumers to pay a premium for better design, product uniqueness and other sophisticated product features.

### Market Segmentation in the PRC Bedding Textile Market

The PRC bedding textile market offers a wide array of products in an expansive price range. Based on consultations conducted by Euromonitor with industry veterans and players, the market is divided into four price tiers, based on the prices of queen-sized four-piece sets, namely: (i) mass-mid, priced below RMB1,800, (ii) high-end, priced between RMB1,800 to RMB2,500, (iii) premium, priced between RMB2,501 to RMB5,000, and (iv) luxury, priced above RMB5,000.

As the PRC has no official sub-categorisations of the bedding textile market, sub-categorisations of the market based on the prices of a queen-sized four-piece set is not an official definition in the PRC. Euromonitor does such sub-categorisations based on its experience and industry knowledge within the bedding textile market, and considers the practice to be commonly adopted by the market.

### High Growth in the Premium and High-End Segments

Driven by an increase in wealth and income amongst PRC consumers, as well as the trend of consumption premiumisation, the premium and high-end segments have enjoyed higher growth than the market average, and are expected to continue to outperform the market, as demonstrated in the table below:

	<b>CAGR</b>	<b>CAGR</b>	<b>Segment</b>
	<b>(2007-2011)</b>	<b>(2012F-2016F)</b>	<b>Size 2016F</b>
			<i>RMB million</i>
Total Bedding Textiles	20.9%	25.3%	453,822.6
<b>Premium Bedding Textiles</b>	<b>23.1%</b>	<b>29.9%</b>	<b>8,508.4</b>
<b>High-End Bedding Textiles</b>	<b>21.9%</b>	<b>28.1%</b>	<b>49,685.7</b>

Source: Euromonitor

### Competitive Landscape in the PRC Premium Bedding Textile Market

According to Euromonitor, the premium segment of the PRC bedding textile market is highly concentrated with a small number of leading brands, the majority of which are of foreign origins. The top five brands in the premium segment of the PRC bedding textile market accounted for approximately 61.7% of the total segment market share value in 2011.

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The following table sets forth the leading brands in the premium segment of the PRC bedding textile market by market share value in 2011:

### Top 5 Premium Bedding Textile Brands in the PRC in 2011

<u>Brand</u>	<u>Brand Origin</u>	<u>Market Share Value</u> <i>RMB million</i>	<u>Market Share</u> %
Brand A	Australia	646.7	27.8%
Brand B	PRC	306.2	13.2%
Brand C	France	268.8	11.6%
<b>Casa Calvin</b>	<b>Hong Kong</b>	<b>119.9</b>	<b>5.2%</b>
Brand D	United States of America	91.0	3.9%

*Source: Euromonitor*

### Competitive Landscape in the PRC High-End Bedding Textile Market

The high-end bedding textile segment demonstrates a high level of dominance by leading brands. According to Euromonitor, the top ten brands accounted for approximately 83.6% of the total market share value in 2011 of the PRC high-end bedding textile segment. Leading brands in this segment are chiefly local labels manufactured locally.

The following table sets forth the leading brands in the high-end segment of the PRC bedding textile market by market share value in 2011:

### Top 10 High-End Bedding Textile Brands in the PRC in 2011

<u>Brand</u>	<u>Brand Origin</u>	<u>Market Share Value</u> <i>RMB million</i>	<u>Market Share</u> %
Brand E	PRC	3,066.4	21.1%
Brand F	PRC	2,768.9	19.0%
Brand G	PRC	2,142.8	14.7%
Brand H	PRC	2,093.1	14.4%
Brand I	PRC	561.1	3.9%
Brand J	PRC	390.0	2.7%
Brand K	United States of America	364.0	2.5%
Brand L	PRC	344.4	2.4%
Brand M	Hong Kong	245.0	1.7%
<b>Casablanca</b>	<b>Hong Kong</b>	<b>171.2</b>	<b>1.2%</b>

*Source: Euromonitor*

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### OVERVIEW OF THE HONG KONG ECONOMY

#### Recovery and Economic Growth

Having emerged strongly from the 2008 global financial crisis, Hong Kong recorded a growth in nominal GDP of 7.5% and 10.3% in 2010 and 2011, respectively, capping off an era of consistent growth in nominal GDP with a CAGR of approximately 4.5%, from approximately HK\$1,609 billion in 2007 to approximately HK\$1,915 billion in 2011 despite the temporary recession brought by the global financial crisis.

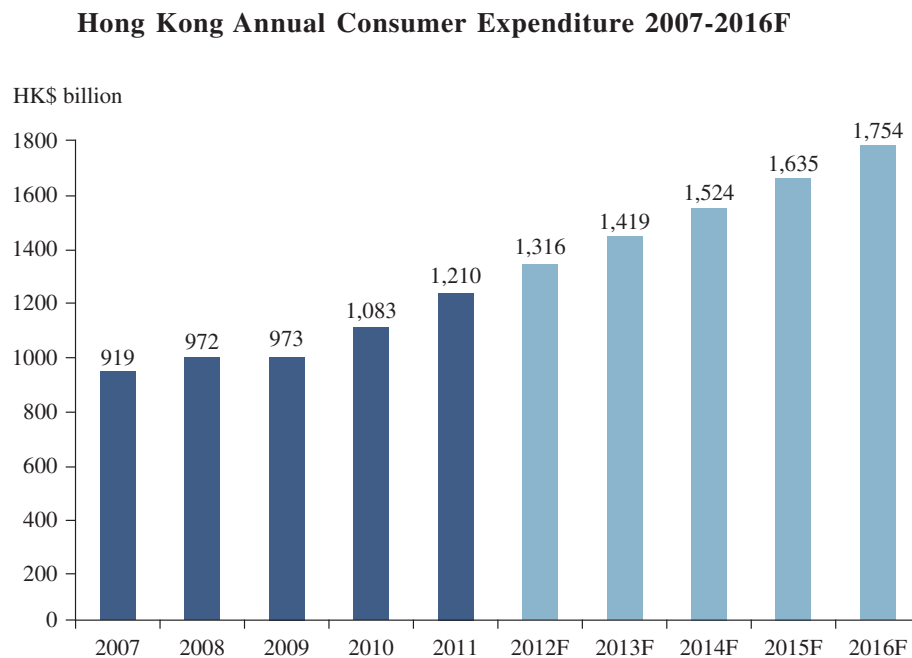
Despite lingering uncertainties in the global economy, Hong Kong's nominal GDP is estimated to grow steadily at a CAGR of approximately 7.3% from approximately HK\$2,081 billion 2012 to approximately HK\$2,757 billion in 2016, due in part to its geographical and trade proximity to the rapidly growing PRC.

#### Sustained Growth in Disposable Income and Consumption Expenditure in Hong Kong

Per capita disposable income grew at a CAGR of approximately 3.7% from approximately HK\$184,752 in 2007 to approximately HK\$214,003 in 2011, and is estimated to reach approximately HK\$293,676 in 2016, representing a CAGR of approximately 6.4% from 2012 to 2016.

Total consumer expenditure grew at a CAGR of approximately 7.1% from approximately HK\$919 billion in 2007 to approximately HK\$1,210 billion in 2011, and is estimated to reach approximately HK\$1,754 billion in 2016, representing a CAGR of approximately 7.5% from 2012 to 2016.

The following graph sets forth annual consumer expenditure and its growth in Hong Kong both on a historical and forecast basis:



Source: Euromonitor



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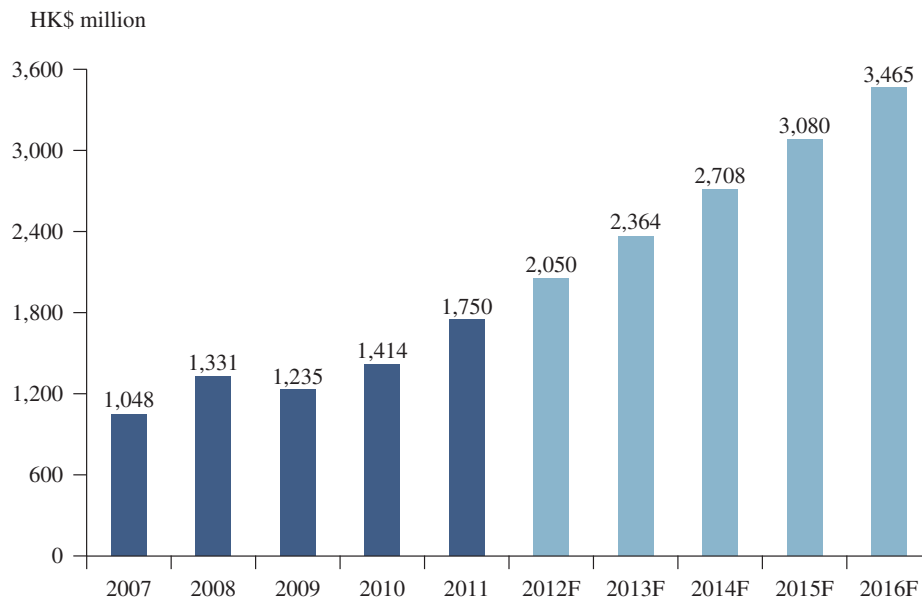
### THE HONG KONG BEDDING TEXTILE MARKET<sup>4</sup>

#### Overview

A steady increase in demand in the local market as the standard of living progresses, coupled with an influx of visiting consumers from the PRC, have fuelled a rapid growth in the Hong Kong bedding textile market.

According to Euromonitor, the retail value sales of the Hong Kong bedding textile market grew at a historical CAGR of approximately 13.7%, from approximately HK\$1,048 million in 2007 to approximately HK\$1,750 million in 2011, and is estimated to continue to enjoy the same level of growth in the near future, with a forecast CAGR of approximately 14.0% from 2012 to 2016, by which time the retail value sales is estimated to exceed HK\$3,465 million, nearly doubling its size in 2011.

**Hong Kong Bedding Textile Market 2007-2016F**



Source: Euromonitor

4. The Hong Kong bedding textile market includes bedding products such as bed sheets, pillowcases, blankets, plaids, duvets and quilts, and set-packs, which consist of bed linens, pillowcases and any of the singular products mentioned above. These products are made of textiles, synthetic materials, leather, animal skins or fur, or any combination thereof.

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### **Characteristics and Development Trends in the Hong Kong Bedding Textile Market**

#### *Dominance of Established Brands through Barriers to Entry*

The Hong Kong bedding textile market is characterised by a dominance of established brands with potential new entrants faced with significant barriers to entry, mainly due to the high difficulty in channel construction, as a result of the limited growth in the number of department store counters and a soaring rent level and real estate prices rendering the establishments of stand-alone stores more costly. According to Euromonitor, the number of retail points of sale (including stand-alone stores and department store counters) for bedding textile products in Hong Kong grew at a CAGR of approximately 3.0% from 2007 to 2011, significantly lower than the CAGR of approximately 13.7% in retail value sales growth during the same period.

#### *New Product Initiatives by Leading Players*

Bedding textile brand operators in Hong Kong are faced with highly sophisticated product demands with consumers from diverse backgrounds in a multi-cultural society, and an increasing number of visiting consumers from the PRC in recent years. In addition to premiumisation in terms of design, style and quality, Hong Kong bedding textile brand operators have been actively initiating new product features in terms of healthcare functionality and eco-friendliness. New materials introduced by leading players in recent years include soybean and milk-protein fibres, which help stimulate blood circulation and are anti-bacterial; as well as an eco-friendly man-made fabric that is made from cellulose in wood pulp.

### **Key Growth Drivers of the Hong Kong Bedding Textile Market**

The Hong Kong bedding textile market has enjoyed buoyant growth in recent years, with its growth outpacing that in GDP, disposable income and consumption. We anticipate the demand for bedding textile products in Hong Kong to grow continuously, driven by the following factors:

- changing demographics in Hong Kong, with an increasing number of nuclear families and singles, indicates the growth in the number of consumers who are willing to spend on living and material comfort;
- the influx of visiting consumers from the PRC and the favourable exchange rate between the Renminbi and the Hong Kong dollar rate for PRC consumers visiting Hong Kong. According to Euromonitor, prices of the same brand and type of bedding textile products can sometimes be purchased at a price that is 30% to 40% lower in Hong Kong than in the PRC; and
- sustained increase in disposable income inducing Hong Kong households to trading up standard quality products to more personalised bedding textile products of higher quality.

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### Market segmentation in the Hong Kong Bedding Textile Market

Based on consultations conducted by Euromonitor with industry veterans and players, the market is divided into four price tiers based on the prices of queen-sized four-piece sets, namely: (1) mass-mid, priced below HK\$1,000, (2) high-end, priced between HK\$1,000 to HK\$2,500, (3) premium, priced between HK\$2,501 to HK\$5,000, and (4) luxury, priced above HK\$5,000.

### High Growth in the Hong Kong Premium and High-End Segments

Benefiting from improving standard of living, changing demographics and increasingly sophisticated demand for new product features, the premium and high-end segments have enjoyed higher growth than the market average and is estimated to continue to outperform the market, as demonstrated in the table below:

	CAGR (2007-2011)	CAGR (2012F-2016F)	Market/ Segment Size 2016F <i>HK\$ million</i>
Total Bedding Textiles	13.7%	14.0%	3,465.1
<b>Premium Bedding Textiles</b>	<b>18.2%</b>	<b>16.7%</b>	<b>547.5</b>
<b>High-End Bedding Textiles</b>	<b>16.2%</b>	<b>15.2%</b>	<b>1,282.1</b>

*Source: Euromonitor*

### Competitive Landscape in the Hong Kong Premium Bedding Textile Market

According to Euromonitor, the premium segment of the Hong Kong bedding textile market is concentrated with the top three brands accounting for approximately 66.6% of the segment total market share value in 2011. More than half of the brands in the premium bedding textile segment are foreign labels. Beyond the top three companies, the premium segment is fragmented, dotted by a myriad of imported labels.

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The following table sets forth the leading brands in the premium segment of the Hong Kong bedding textile market by market share value in 2011:

### Top 5 Premium Bedding Textile Brands in Hong Kong in 2011

<b>Brand</b>	<b>Brand Origin</b>	<b>Market Share Value</b> <i>HK\$ million</i>	<b>Market Share</b> %
<b>Casa Calvin</b>	<b>Hong Kong</b>	<b>69.9</b>	<b>30.6%</b>
Brand N	Australia	49.7	21.7%
Brand A	Australia	32.6	14.3%
Brand O	Spain	9.0	3.9%
Brand P	Spain	5.0	2.2%

*Source: Euromonitor*

### Competitive Landscape in the Hong Kong High-End Bedding Textile Market

The high-end segment of the Hong Kong bedding textile market is concentrated with the top three brands accounting for approximately 64.5% of the segment total market share value in 2011. According to Euromonitor, the high-end bedding textile market in Hong Kong is dominated by local players.

The following table sets forth the leading brands in the high-end segment of the Hong Kong bedding textile market by market share value in 2011:

### Top 5 High-End Bedding Textile Brands in Hong Kong in 2011

<b>Brand</b>	<b>Brand Origin</b>	<b>Market Share Value</b> <i>HK\$ million</i>	<b>Market Share</b> %
Brand M	Hong Kong	214.0	35.0%
<b>Casablanca</b>	<b>Hong Kong</b>	<b>119.0</b>	<b>19.5%</b>
Brand Q	Hong Kong	61.1	10.0%
Brand R	Hong Kong	26.3	4.3%
Brand S	United States of America	16.5	2.7%

*Source: Euromonitor*

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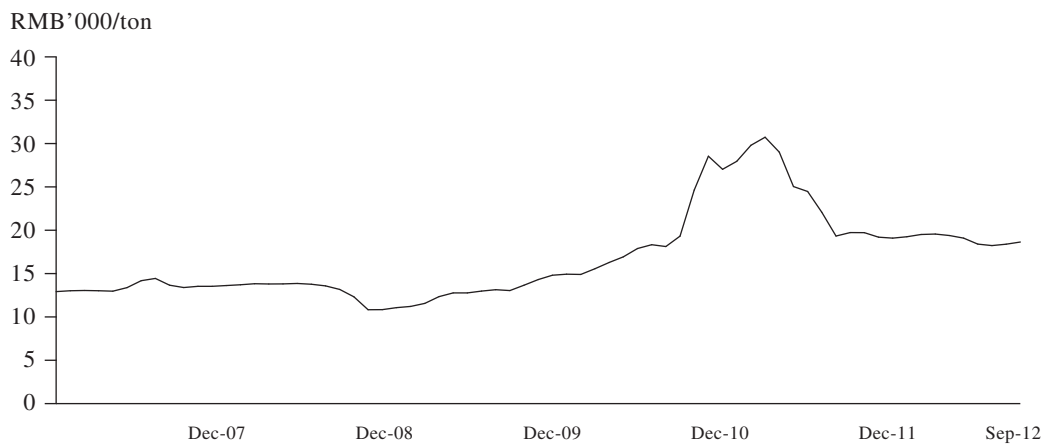
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### MARKET PRICE OF COTTON IN THE PRC

The China Cotton Index 328 increased from RMB12,922 per ton in January 2007 to RMB19,085 per ton in December 2011, which represented a CAGR of approximately 8.1%.

Despite a decline in 2008, cotton price generally remained stagnant, recording a growth of approximately 0.9% from RMB12,922 per ton in January 2007 to RMB13,040 per ton in September 2009. Due to the significant reduction in production in major production regions in the PRC, the China Cotton Index 328 grew significantly since September 2009 and peaked in March 2011, when it reached approximately RMB30,732 per ton, which represented an increase of 135.7% on the price in September 2009. Cotton price had since then decreased, due in part to increased local production and a slowing global economy. In December 2011, the China Cotton Index 328 averaged approximately RMB19,085 per ton, which represented a decrease by approximately 37.9% compared to its peak in March 2011, and an increase of approximately 46.4% compared to September 2009 before the significant price surge took place. In September 2012, the China Cotton Index 328 averaged approximately RMB18,639 per ton, which represented a slight decrease by approximately 2.3% compared to December 2011.

#### Monthly Average China Cotton Index 328



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### SOURCES OF INFORMATION

#### **Euromonitor**

We have engaged Euromonitor to conduct a detailed study of the market potential and opportunity for bedding products retailing in the PRC and Hong Kong for use in this Prospectus. Figures and statistics provided in this Prospectus and attributed to Euromonitor or the Euromonitor Report have been extracted from the Euromonitor Report and published with the consent of Euromonitor. Euromonitor is a global research organisation and provider of international market intelligence on consumer products, services and lifestyles, and an Independent Third Party to the Group.

Euromonitor primarily undertook a top-down central research and bottom up intelligence to present a comprehensive and accurate picture of the bedding textiles industry. Euromonitor's detailed primary research involved independent trade level interviews with trade players, veterans and involved parties who support the distribution value chain for the bedding textile market. Store checks were also conducted in the PRC, specifically in Beijing, Guangzhou and Shanghai as well as Hong Kong, to collate an updated review of the product offerings in the market. In addition, Euromonitor also conducted trade interviews and sourced data from multiple government organisations and manufacturers.

To ensure forecasting accuracy, Euromonitor adopted its standard practice of quantitative and qualitative analysis of the market size, growth trends on the basis of a comprehensive and in-depth review of the market's historical and postulated performance. Data was cross-checked with established government and industry figures and trade interviews, as well as statistical tools where possible. In addition, Euromonitor's macro-environment statistics were developed by a team of specialists focused on global economies, consumer trends, demographics, income and expenditure, business environments, technology and communications, industry, energy and environment. Sources used to derive macro-statistics used included a range of national and international secondary sources including various governmental agencies.

Euromonitor used market share value as one of the its estimation bases in calculating market share for brands in the high-end and premium bedding textile markets in the PRC and Hong Kong.

We paid US\$52,150 for the commissioned Euromonitor Report.

#### **The National Bureau of Statistics of China**

The National Bureau of Statistics of China is an agency directly under the State Council of the PRC and is in charge of statistics and economic accounting in the PRC. The National Bureau of Statistics of China is an Independent Third Party of the Company. The information disclosed in this Prospectus and attributed to the National Bureau of Statistics is official public information and was prepared in the ordinary course of the National Bureau of Statistics of China's activities.