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## INDUSTRY OVERVIEW

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*In addition, certain information in this section is extracted from an industry report prepared by Frost & Sullivan, dated 9 September 2013 (the “Frost & Sullivan Report”), which we commissioned. For a discussion of the sources, methodologies, bases and assumptions used in preparation of the Frost & Sullivan Report, see “– Source of Information.” We believe that these sources are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any material fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Selling Shareholder, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other person or party involved in the Global Offering and no representation is given as to its accuracy, completeness or fairness. References to 2012 in this section refer to the calendar year 2012.*

*This section contains information and statistics relating to the housewares products market in Hong Kong, Singapore, Malaysia, the PRC and Macau, in which we operate. According to the Frost & Sullivan Report, housewares products include products primarily used within the household, such as tableware, kitchenware, small electrical appliances, stationery, daily hardware, housekeeping items and plasticware. In Hong Kong, Singapore, Malaysia, the PRC and Macau, housewares products are generally retailed through the following types of retail channels: supermarkets, housewares retail chains, furniture stores, mom-and-pop housewares stores and department stores. Together, housewares retail chains and mom-and-pop housewares stores comprise housewares specialised stores.*

### SUMMARY

#### Consumer consumption patterns

According to the Frost & Sullivan Report, consumers in different regions share the following consumption patterns.

- Price is a key criteria when purchasing housewares products, and consumers are likely to shop around for the best price. In addition, consumers exhibit a preference for retailers that are able to provide value-for-money products.
- Product design, which refers to functionality as well as appearance, is a key factor, as consumers prefer products that are easy to use. Product quality is also an important consideration.
- Consumers prefer to visit stores that are easily accessible and conveniently located. Furthermore, consumers are likely to make quick purchases from stores that are located nearby, or to drop in for purchases at stores that are located on their way home or to other places.
- The current trend has been a preference for purchasing housewares products from retailers with well-established brands, as these retailers are considered to be trustworthy sources of housewares products. As a result, such well-known retailers generally enjoy a high degree of loyalty among local consumers.

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### **Key success factors for housewares retailers**

According to the Frost & Sullivan Report, the following key success factors for housewares retailers are shared across markets.

- Extensive range of value-for-money products: successful retailers generally offer a wide range of value-for-money products, providing consumers with a variety of choices that meet varying needs. In addition, adjusting product portfolio on a store-by-store basis enables retailers to better serve the actual demand of the surrounding local consumers.
- Efficient and effective management: good management facilitates sound development of a retailer's business. Without strong management principles, it is generally difficult to sustain long-term development and growth.
- Strong sourcing capability: the ability to establish and maintain a stable, reliable and efficient sourcing channel is also critical to the success of retail operations, as this helps to ensure product quality while keeping operational costs low.
- Wide retail coverage and sound store location: retailers that establish wide geographical coverage of their retail network, with favourable and convenient store locations, are better positioned to compete successfully.
- High brand awareness: retailers with high brand awareness enjoy a greater degree of consumer confidence, resulting in increased customer visits and growth in sales.

### **HONG KONG**

#### **Macroeconomic characteristics of the economy relevant to the housewares retail chain industry**

The Hong Kong economy has maintained steady growth since recovering from the global financial crisis in 2009, and is expected to continue growing. Nominal GDP was HK\$1,896.7 billion in 2011 and is forecasted to grow at a CAGR of 6.7% to HK\$2,621.6 billion in 2016. In line with Hong Kong's GDP growth, nominal GDP per capita grew at a CAGR of 7.2% from 2009 to 2011. Although the growth rate of Hong Kong's nominal GDP per capita slowed to 4.6% in 2012 due to an overall slow down of the global economy, Hong Kong's nominal GDP per capita is expected to reach HK\$353,231.7 in 2016, representing a CAGR of 5.8% from 2011.

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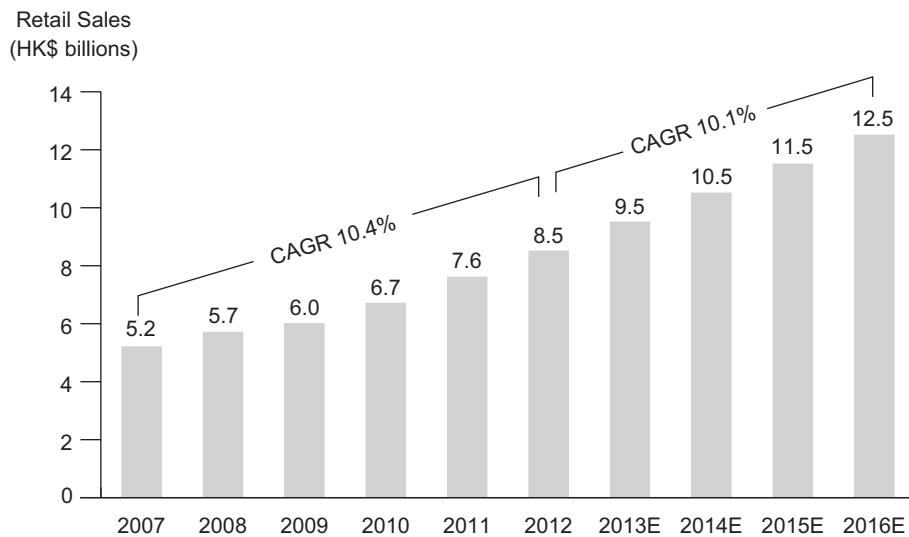
## INDUSTRY OVERVIEW

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### The Hong Kong housewares products market

The housewares products market in Hong Kong grew at a faster pace than nominal GDP, at a CAGR of 10.4%, from HK\$5.2 billion in 2007 to HK\$8.5 billion in 2012. Total retail sales of housewares products are expected to grow at a CAGR of 10.1% to reach HK\$12.5 billion in 2016 as the economy continues to improve and per capita expenditures increase.

#### Total Retail Sales of Housewares Products (Hong Kong), 2007–2016E



Source: Frost & Sullivan Report

Driven by an increase in disposable income, improved standards of living and an increased demand for high quality products, per capita expenditures on housewares products increased at a CAGR of 9.7% from 2007 to 2012, including during the overall economic slowdowns in 2009 and 2012. Per capita expenditures on housewares products grew from HK\$746 in 2007 to HK\$1,183 in 2012, and are expected to increase to HK\$1,683 in 2016, representing a CAGR of 9.2% from 2012.

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The following table illustrates the key differences between the primary types of retail channels for housewares products in Hong Kong:

<b>Channel</b>	<b>Store sizes and network</b>	<b>Products offered</b>
Supermarkets (key players: Wellcome, PARKnSHOP) .....	<ul style="list-style-type: none"> <li>• Large store sizes</li> <li>• Extensive store network</li> </ul>	<ul style="list-style-type: none"> <li>• Many product categories, including food items, daily necessities and housewares products</li> <li>• Housewares products offered as non-core category</li> <li>• May include private branded products</li> </ul>
Housewares retail chains (key player: Japan Home Centre).....	<ul style="list-style-type: none"> <li>• Varying store sizes</li> <li>• Varying network sizes</li> </ul>	<ul style="list-style-type: none"> <li>• Wide range of housewares products</li> <li>• Focus on housewares products</li> <li>• May include private branded products</li> </ul>
Furniture stores (key players: IKEA, Pricerite) .....	<ul style="list-style-type: none"> <li>• Large store sizes</li> <li>• Limited store network</li> </ul>	<ul style="list-style-type: none"> <li>• Wide range of furniture products</li> <li>• Includes a selection of housewares products</li> </ul>
Mom-and-pop housewares stores .....	<ul style="list-style-type: none"> <li>• Small store sizes</li> <li>• Non-chain individual business</li> </ul>	<ul style="list-style-type: none"> <li>• Range of products includes daily necessities and housewares products</li> <li>• Low-end products, no private branded products</li> </ul>
Department stores (key players: Wing On, Sincere).....	<ul style="list-style-type: none"> <li>• Large store sizes</li> <li>• Limited store network</li> </ul>	<ul style="list-style-type: none"> <li>• Many product categories, including clothing, cosmetics, food items and housewares products</li> <li>• Housewares products offered as non-core category</li> <li>• Higher end housewares products</li> </ul>

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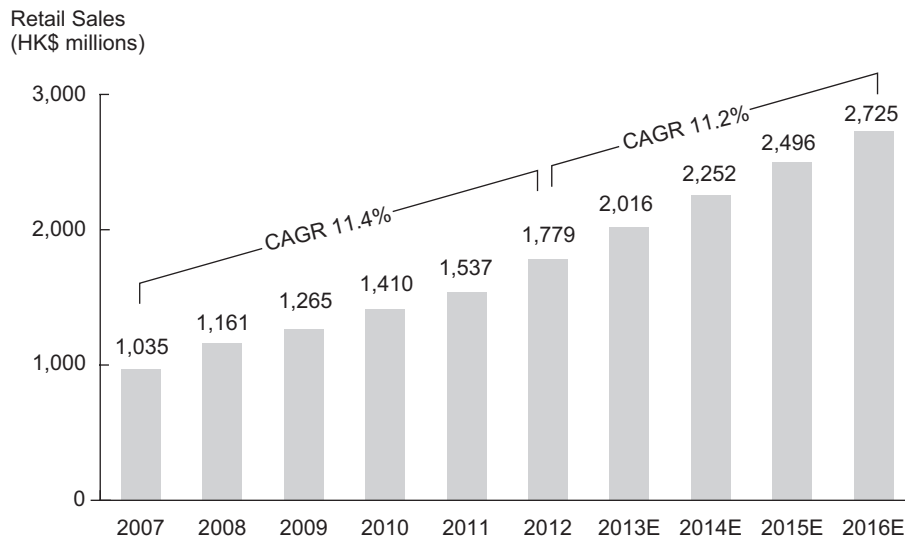
## INDUSTRY OVERVIEW

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### The Hong Kong housewares retail chains market

The housewares retail chains market experienced steady growth in market size at a CAGR of 11.4% from 2007 to 2012, and is expected to grow at a CAGR of 11.2% from 2012 to 2016, higher than the growth of 10.1% in sales of housewares products by all retail channels during the same period.

#### Total Retail Sales of Housewares Retail Chains Market (Hong Kong), 2007–2016E



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, housewares retail chains represented the second largest retail channel of housewares products in Hong Kong in 2012, with a 21.0% market share in terms of revenue. Housewares retail chains in Hong Kong specialise in and offer a wide range of housewares products through a network of multiple retail stores. They are typically located near residential areas close to their target consumers and are flexible in their supply of products on a per-store basis, enabling them to provide easy accessibility and closely tailor their offerings to local demographics. Moreover, most housewares retail chains are operated under modern management principles and have strong sourcing capabilities as well as the ability to provide a comfortable shopping environment. According to a consumer survey conducted by Frost & Sullivan, Japan Home Centre is a “top-of-mind” destination for housewares products.

Housewares retail chains is a retail channel of housewares products. Housewares retail chains, together with mom-and-pop housewares stores, comprise the housewares specialised stores market which represented 29.6% of the housewares products market in 2012. Housewares retail chains and mom-and-pop housewares stores represented 21.0% and 8.6%, respectively, of the housewares products market in terms of revenue in 2012. Japan Home Centre operates in the housewares specialised stores market, and as a housewares retail chain, is a key market participant. In 2012, Japan Home Centre had a market share of approximately 69% among the housewares retail chains in Hong Kong and had a market share of approximately 49.0% of the housewares specialised stores market in Hong Kong.

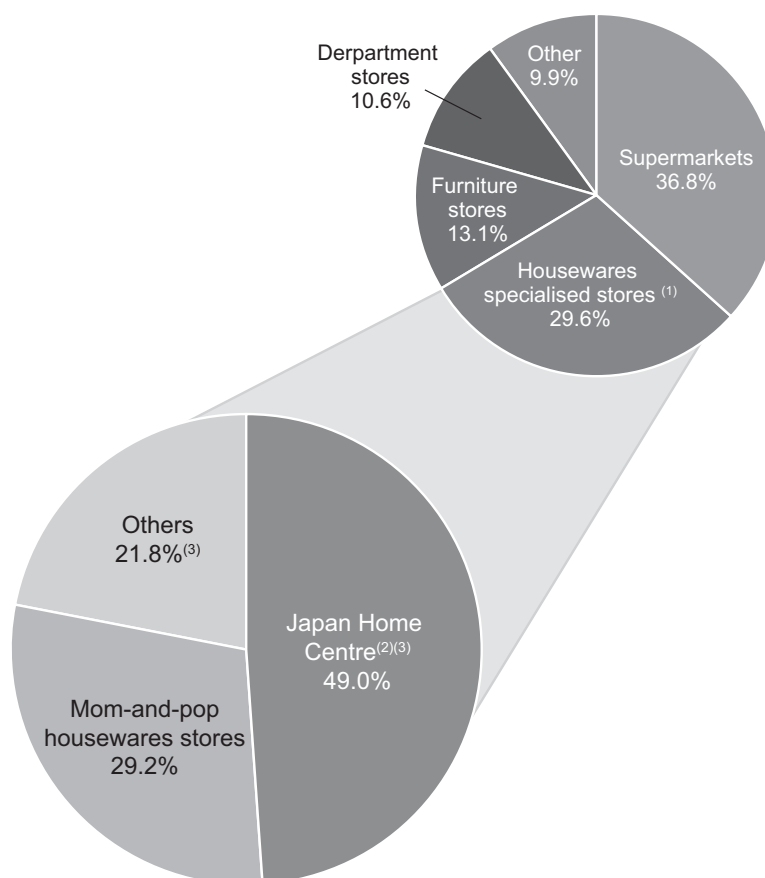
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In 2012, within the housewares specialised stores market, mom-and-pop housewares stores had a 29.2% market share, which was less than Japan Home Centre's market share of 49.0%, with 231 stores. The second largest housewares retail chain, Living Plaza by AEON, had a market share of 6.7% of the housewares specialised stores market, with 29 stores, in 2012. Other competitors include small-scale retail chains, none of which had more than 20 stores in 2012. The diagram below illustrates the breakdown of housewares products retail sales by retail channel, and the relative market share of major retailers in the housewares specialised stores market, in Hong Kong:

### Breakdown by Retail Channels and Market Share (Hong Kong), 2012



(1) The housewares specialised stores market comprises housewares retail chains and mom-and-pop housewares stores

(2) Includes Japan Home Centre, City Life and Epo Gifts & Stationery stores

(3) Japan Home Centre and others constitute housewares retail chains.

Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, brand recognition is an important barrier to entry to the housewares retail chains market, as new entrants must invest efforts and resources to establish and build a brand.

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### Current market drivers and trends

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the Hong Kong housewares products and retail chains markets.

- Stable economic growth and increasing per capita income, resulting in a corresponding increase in consumer spending power, is expected to drive demand for, and higher spending on, necessities such as housewares products.
- Demand for housewares products is driven by consumers who purchase a large number and variety of housewares products when they move, renovate or redecorate their homes.
- Hong Kong consumers are expected to pursue better quality, value-for-money products, with an increased preference for branded housewares products as disposable income and standards of living rise.
- The increasing popularity of branded housewares retail chains is expected to result in continued market consolidation in the housewares products market as dominant retail chains capture additional market share from other retail channels.
- Expenditure on household goods is expected to increase as tourism in Hong Kong increases. The PRC continued to be the single largest source of visitors to Hong Kong, with 34.9 million arrivals in 2012, accounting for 71.8% of total arrivals. Chinese tourists not only shop for luxury products, but also purchase daily necessities including housewares products due to better quality, higher value-for-money and larger variety as compared to China.
- The popularity of in-store browsing as a leisure activity in Hong Kong and the convenient locations and operating hours of retail stores will continue to support physical stores as the primary purchasing channel for housewares products.
- Large scale retailers are likely to increase their efforts to penetrate overseas markets such as the PRC and Southeast Asia in order to capitalise on the high economic growth rates and large potential customer bases in these regions.

### SINGAPORE

#### Macroeconomic characteristics of the economy relevant to the housewares retail chain industry

Although Singapore was impacted by the global financial crisis in 2008 and 2009, its economy rebounded in 2010. Nominal GDP was HK\$1,998.9 billion in 2011 and is forecasted to grow at a CAGR of 5.3% to HK\$2,585.0 billion in 2016. Singapore's nominal GDP per capita, one of the highest in the world, grew from HK\$325,283.4 in 2009 to HK\$379,011.8 in 2011, representing a CAGR of 7.9%. Singapore's nominal GDP per capita is forecasted to reach HK\$449,648.3 in 2016, representing a CAGR of 3.5% from 2011.

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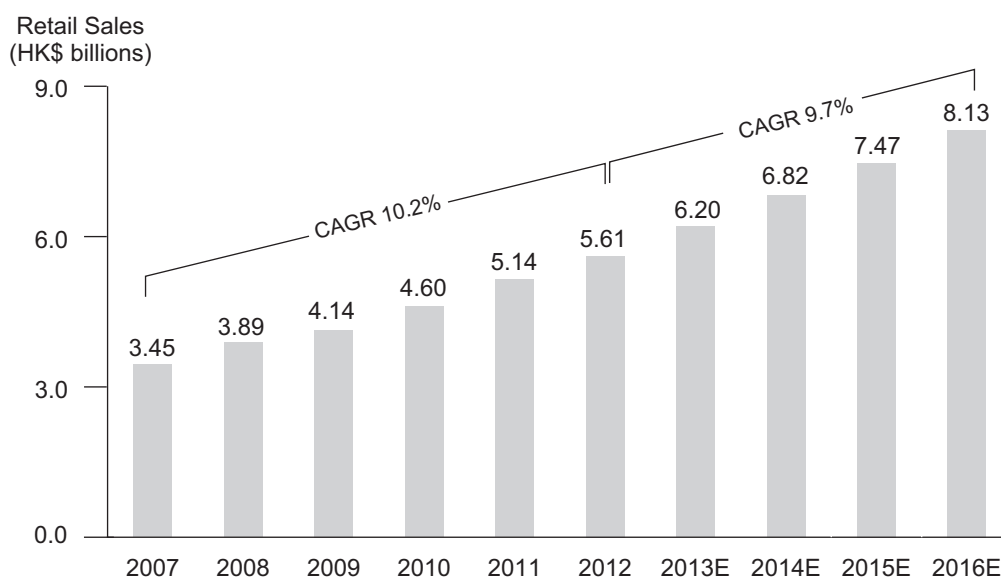
## INDUSTRY OVERVIEW

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### The Singapore housewares products market

The housewares products market in Singapore has experienced steady growth from HK\$3.5 billion in 2007 to HK\$5.6 billion in 2012, representing a CAGR of 10.2%. This growth has been driven by increases in per capita expenditures as well as the growing population in Singapore, due in part to an influx of immigrants. As the Singapore population continues to increase, the housewares products market is expected to grow at a CAGR of 9.7% from 2012 to 2016, and reach HK\$8.1 billion by 2016. Per capita expenditures on housewares products in Singapore grew from HK\$752 in 2007 to HK\$1,045 in 2012 and is forecasted to reach HK\$1,413 in 2016, representing a CAGR of 7.8% from 2012.

#### Total Retail Sales of Housewares Products (Singapore), 2007–2016E



*Note:* Both the historical and forecast data was converted to HK\$ based on 2012 year exchange rate.

*Source:* Frost & Sullivan Report

The housewares products market in Singapore is characterised by a growing number of consumers, new market entrants and corresponding competition for market share, and undifferentiated products and services among competitors. Hypermarkets, supermarkets and mom-and-pop stores are popular retail channels in Singapore. However, due to their weaker sourcing capability and lower-end product offerings, mom-and-pop stores are gradually being replaced by established housewares retail chains. As in Hong Kong, online shopping is not a popular retail channel for housewares products in Singapore, as consumers generally prefer to purchase products from physical stores.



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### **The Singapore housewares market**

Housewares retail chains represented 2.9% of the housewares products market in terms of revenue in the calendar year 2012. In the calendar year 2012, Japan Home Centre had a market share of approximately 75% of the housewares retail chains market in Singapore. Japan Home's market share in the Singapore housewares specialised stores market was 10.4% in the calendar year 2012, while mom-and-pop housewares stores comprised the largest portion of the market with 86.1%.

Because market share among mom-and-pop housewares stores is highly fragmented, each individual participant in the mom-and-pop segment represents a small portion of the housewares specialised stores market. Consequently, Japan Home was the leading individual retailer in this market in 2012. Daiso Japan ("Daiso") was the second largest participant in the housewares specialised stores market with a market share of 3.5%.

Our Company and Daiso are the two major housewares retail chains in Singapore. In 2012, we had a market share of 75% of the housewares retail chains market in terms of revenue, with approximately 30 stores compared to Daiso's ten stores. According to the Frost & Sullivan Report, Japan Home stores are located in both business and residential areas, whereas Daiso stores are only located in business areas, therefore catering to different consumer bases. Japan Home stores in Singapore offer an extensive product range, whereas Daiso's product portfolio is more limited as most of its items are priced at approximately SGD2. New entrants must compete for market share with established chains such as Japan Home and Daiso, who have already established a loyal consumer base and strong brand recognition.

### **Current market drivers and trends**

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the Singapore housewares products and retail chains markets.

- Rising income levels, consistent with the steady growth of the Singapore economy, has resulted in increasingly higher standards of living and correspondingly higher consumer standards for product quality, product functionality and shopping environment. This presents a market opportunity for housewares retail chains.
- The increasing popularity of housewares retail chains is expected to drive the continued consolidation of the housewares products market, as housewares retail chains have the competitive advantages to capture additional market share from other retail channels for housewares products.
- First movers who have established a loyal customer base, strong brand name and strong sourcing capabilities enjoy competitive advantages against new market entrants.

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### MALAYSIA

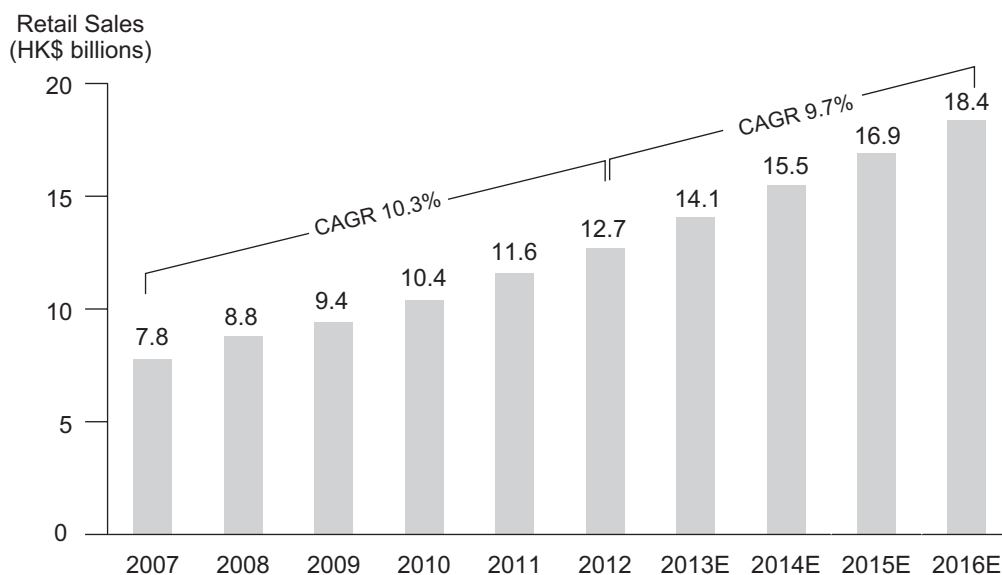
#### Macroeconomic characteristics of the economy relevant to the housewares retail chain industry

The Malaysian economy has grown in recent years, driven primarily by a series of policies and incentives by the Malaysian government to improve its economic structure and stimulate the economy in response to the financial crisis. Nominal GDP steadily increased at a CAGR of 11.2% from 2009 to 2011, while its nominal GDP is forecasted to reach HK\$3,249.8 billion in 2016, representing a CAGR of 7.9% from 2011. Malaysia's nominal GDP per capita grew at a CAGR of 9.9% from 2009 to 2011, and is forecasted to reach HK\$104,618.5 in 2016, representing a CAGR of 6.1% from 2011.

#### The Malaysia housewares products market

According to the Frost & Sullivan Report, the housewares products market in Malaysia experienced steady growth in retail sales from approximately HK\$7.8 billion in 2007 to HK\$12.7 billion in 2012, representing a CAGR of 10.3%. This growth was driven primarily by increasing per capita expenditures as well as the growing population. Per capita expenditures on housewares products in Malaysia grew from HK\$286 in 2007 to HK\$438 in 2012 and is expected to reach HK\$593 in 2016, representing a CAGR of 7.9%. Retail sales of housewares products are forecasted to continue to grow from 2012 to 2016, at a CAGR of 9.7%, and reach HK\$18.4 billion in 2016.

#### Total Retail Sales of Housewares Products (Malaysia), 2007–2016E



*Note:* Both the historical and forecast data was converted to HK\$ based on 2012 year exchange rate.  
*Source:* Frost & Sullivan Report

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### **The Malaysian housewares market**

Housewares products are primarily sold in Malaysia through hypermarkets and supermarkets, particularly in urban areas. Mom-and-pop housewares stores are also common, but they typically serve local neighborhoods and provide a relatively limited range of products. To a lesser extent, housewares products are also sold in housewares retail chains, which are still at an early stage of development in Malaysia, as well as department stores, furniture stores or through other direct sales methods.

As in Singapore, Daiso and Japan Home Centre are the primary retail chains in the Malaysian housewares retail chains market. Daiso opened its first store in Malaysia in 2008 and operated nine stores in 2012, and as at 30 April 2013, Japan Home Centre had nine stores in West Malaysia and two licenced stores in East Malaysia. Daiso currently has a high brand awareness among local consumers. In 2012, competition among different retail channels was greater than competition within the same retail channel.

According to the Frost & Sullivan Report, there are various barriers to entry to the housewares retail chains market in Malaysia. The Malaysian government has issued a series of detailed requirements for foreign investors in order to protect and encourage local businesses. Therefore, in addition to competing with other housewares retail channels, foreign housewares retail chains must also meet these additional government requirements which are not imposed on local competitors. Foreign housewares retail chains must also become familiar with the local market and unique customer demographics.

### **Current market drivers and trends**

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the Malaysia housewares products and retail chains markets.

- Rising income levels, consistent with the steady growth of the Malaysia economy, has resulted in increasingly higher standards of living and correspondingly higher consumer standards for product quality, product functionality and shopping environment. This presents a market opportunity for housewares retail chains.
- As Malaysia continues to progress in urbanization, consumer lifestyles are expected to become busier and consumption patterns will likely change, with modern retail channels increasing in popularity.
- The increasing popularity of housewares retail chains is expected to drive the continued consolidation of the housewares products market, as housewares retail chains have the competitive advantages to capture additional market share from other retail channels for housewares products.

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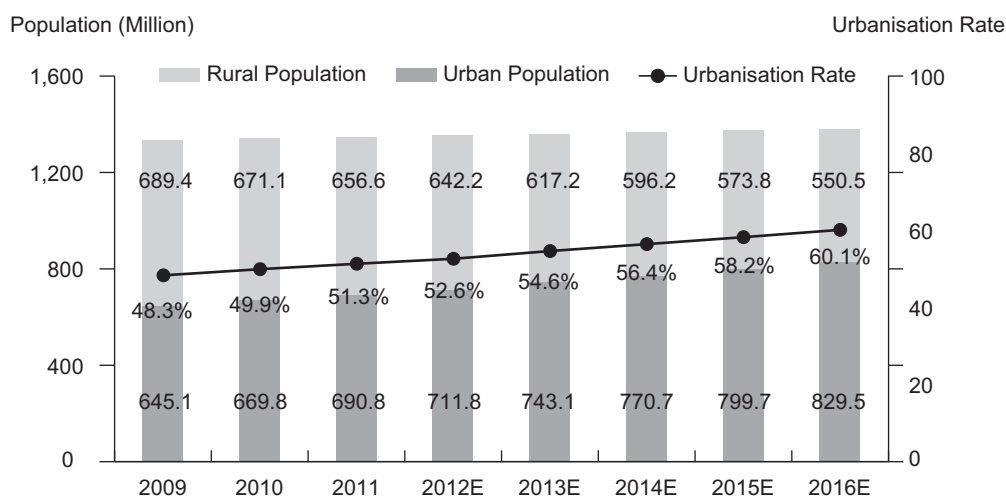
### THE PRC

#### Macroeconomic characteristics of the economy relevant to the housewares retail chain industry

The PRC's nominal GDP steadily increased at a CAGR of 15.1% from 2009 to 2012. According to the International Monetary Fund, nominal GDP is forecasted to grow at a CAGR of 11.2%, reaching HK\$97,504.6 billion in 2016, making it one of the fastest growing developing countries in the world. In line with the growing China economy, nominal GDP per capita grew from HK\$31,407.2 in 2009 to HK\$43,028.6 in 2011, representing a CAGR of 17.0%, and is forecasted to reach HK\$70,654.7 in 2016, representing a CAGR of 10.4% from 2011.

The urban population in the PRC has increased in recent years, due to the country's economic development and the influx of migrants from rural areas to developed areas. The PRC's urban population increased by 10.3% from 645.1 million in 2009 to 711.8 million in 2012, while the urbanisation rate increased from 48.3% to 52.6% for the same period. According to the Frost & Sullivan Report, the PRC's urban population is predicted to reach 829.5 million in 2016. With the world's largest population of over 1.3 billion and its rapid urbanisation rate and economic growth, PRC is now one of the world's largest consumer markets.

#### Population and Urbanisation Rate (PRC), 2009–2016E



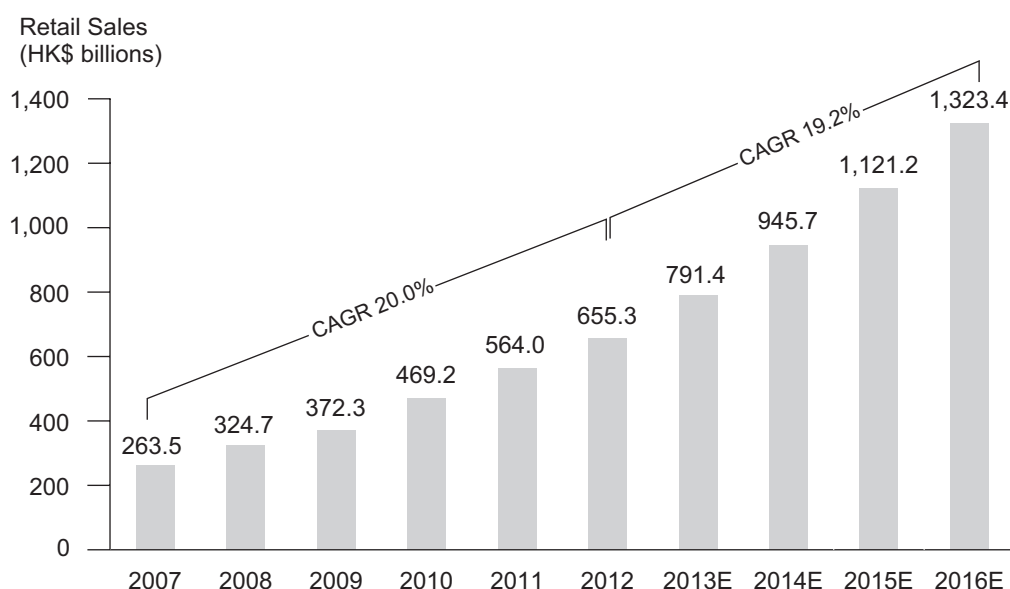
Source: 1. Historical data: National Bureau of Statistics of China  
2. Forecast data: International Monetary Fund

#### The PRC housewares products market

Retail sales of housewares products in the PRC grew steadily at a CAGR of 20.0% from approximately HK\$263.5 billion in 2007 to HK\$655.3 billion in 2012. Total retail sales of housewares products are forecasted to grow at a CAGR of 19.2% from 2012 to 2016, to reach HK\$1,323.4 billion in 2016, as consumers with higher incomes are more willing to pay premium prices for higher quality products. As a result of the rise in disposable income, improved living standards, increases in urban population and demand for quality products, overall spending on housewares products has increased in the PRC. The per capita annual expenditures on housewares products grew at a CAGR of 19.4% from HK\$199 in 2007 to HK\$484 in 2012, and is forecasted to grow to HK\$959 in 2016, representing a CAGR of 18.6%.

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### Total Retail Sales of Housewares Products (PRC), 2007–2016E



*Note:* Both the historical and forecast data was converted to HK\$ based on 2012 year exchange rate.

*Source:* Frost & Sullivan Report

### The PRC housewares market

According to the Frost & Sullivan Report, housewares retail chains are at an early stage of development in the PRC. Positioned as innovative housewares stores catering to the growing younger population, their housewares products are marketed as being better designed and more creative than housewares products sold by hypermarkets and supermarkets, which cater more to the mass market. Mom-and-pop stores, which have been the dominant retail channel for housewares products in the PRC, are gradually being substituted by more modern retail channels, according to the Frost & Sullivan Report. As a developing economy, the PRC market is open to new retail channels which are able to provide the better products and better shopping environment that is typically preferred by the younger generation. Online retail stores have developed quickly in the PRC in recent years. However, due to the risks of poor or inconsistent product quality, counterfeit products and personal information privacy breaches associated with online retail sales, many consumers still prefer shopping at physical stores.

### Current market drivers and trends

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the PRC housewares products and retail chains markets.

- Given the large, growing population, developing economy and high urbanisation rates, housewares retail chains are positioned to capitalise on the early stage growth opportunities of the housewares products market.
- Rising levels of disposable income and improving standards of living, have resulted in an emerging middle class that is increasingly focused on better quality and more stylish housewares products, which are often sold in modern retail channels such as housewares retail chains.

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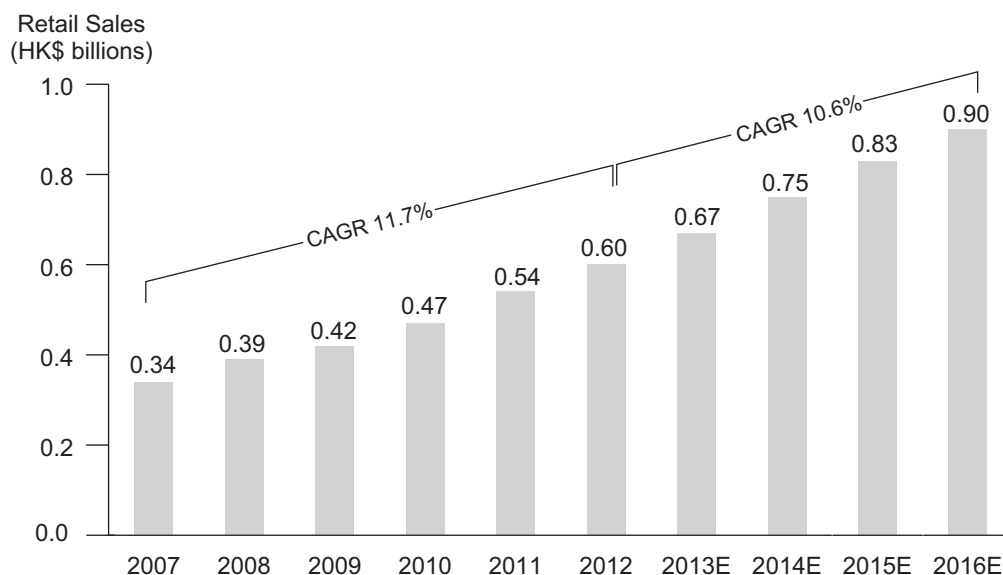
- The emerging younger generation in the PRC, characterised by higher income levels and a stronger tendency to consume than prior generations, have a stronger preference for modern retail channels than local retail outlets. This is expected to lead to the replacement of traditional retail channels, such as mom-and-pop housewares stores, by modern retail channels.
- As more consumers become accustomed to shopping at housewares retail chains, it is expected that the retail network of these housewares retail chains will expand to more cities throughout the PRC.

### MACAU

The development of Macau's economy in recent years, driven by the tourism and gambling sectors, has led to an increase in consumer expenditures on housewares products. According to the Frost & Sullivan Report, per capita annual expenditures on housewares products increased from HK\$649 in 2007 to HK\$1,032 in 2012, at a CAGR of 9.7%, and is expected to continue growing at a CAGR of 9.3%, to reach HK\$1,472 in 2016.

As per capita expenditures on housewares products increased, the housewares products market experienced a corresponding increase. The total retail sales of the housewares products market grew at a CAGR of 11.7%, from HK\$0.34 billion in 2007 to HK\$0.60 billion in 2012. Due to a slow down in Macau's population growth, the total retail sales of the housewares products market is estimated to grow at a CAGR of 10.6% to reach HK\$0.90 billion in 2016.

**Total Retail Sales of Housewares Products (Macau), 2007–2016E**



*Note:* Both the historical and forecast data was converted to HK\$ based on 2012 year exchange rate.

*Source:* Frost & Sullivan Report

Japan Home Centre and Daiso are the only two housewares retail chains in Macau. In 2012, Japan Home Centre had a market share of 55.4% in terms of revenue, with five stores and total retail sales of HK\$25.2 million. Daiso, which had 44.6% market share, had four stores and total retail sales of HK\$20.3 million.

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Japan Home Centre's market share in the housewares specialised stores market in Macau was 11.5% in 2012, while mom-and-pop housewares stores represented the largest market share of 79.2%. However, given the high market fragmentation and small market share of each participant in the mom-and-pop housewares stores segment, Japan Home Centre was the leading individual retailer in the Macau housewares specialised stores market in 2012, while Daiso was the second largest participant, with a market share of 9.3%.

### CONSUMER SURVEY

Frost & Sullivan conducted a consumer survey of 230 respondents relating to brand awareness and consumer preferences in Hong Kong in April 2013.

Over 99% of respondents recognised the Japan Home Centre brand.

Approximately 97% of respondents surveyed had visited Japan Home Centre in the past 12 months. Of 225 respondents, approximately 91% estimated that they visit Japan Home Centre at least once a month. On average, respondents surveyed visit Japan Home Centre approximately 32 times per year.

Japan Home Centre's housewares products ranked number one in terms of quality among Japan Home Centre, Pricerite, PARKnSHOP, Wellcome and Living Plaza by AEON. Approximately 91% of respondents rated the quality of Japan Home Centre's products as "good" or "very good."

Over 99% of respondents indicated that they purchase housewares products more frequently from physical stores instead of through online shopping.

### SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report of the housewares retail chains market in Hong Kong, Singapore, Malaysia, the PRC and Macau. We incurred approximately RMB964,000 in fees and expenses for the 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 industry report in connection with the Global Offering.

Frost & Sullivan is an independent global consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the market in which we operate for potential investors.

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources. Primary research involved interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific industry drivers. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these parameters.

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See “Risk Factors – Risks Related to this Prospectus.”

The Frost & Sullivan Report was compiled based on, among other things, the below assumptions:

- the economies of Hong Kong, Singapore, Malaysia, the PRC and Macau will maintain steady growth in the next decade;
- the social, economic and political environment in Hong Kong, Singapore, Malaysia, the PRC and Macau will remain stable in the forecasted period;
- the Hong Kong housewares retail chains market will be driven by increasing levels of disposable income, the growing population, consumers’ purchase of housewares products when they move, renovate or redecorate their homes, consumers’ pursuit of “value for money” products as well as the increasing number of tourists;
- the Singapore housewares retail chains market will be driven by increasing levels of disposable income, consumers’ purchase of housewares products when they move, renovate or redecorate their homes, consumers’ pursuit of high quality lifestyle and the replacement of mom-and-pop housewares stores by other retail channels;
- the Malaysia housewares retail chains market will be driven by increasing levels of disposable income, the development of modern retail channels and macroeconomic growth; and
- the PRC housewares retail chains market will be driven by the large population, the developing economy, accelerating urbanisation, consumption upgrade and the emerging younger generation in the PRC.