
INDUSTRY OVERVIEW

This section contains information and statistics relating to the global economy and the industry in which we operate. We have derived such information and data partly from publicly available government, official and other third-party sources which have not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters or any of their respective affiliates or advisers. Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside China. We believe the sources of the information in this section are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading.

Unless otherwise indicated, information and statistics relating to the global lingerie industry and global lingerie materials industry in this and other sections of this prospectus have been derived from the Frost & Sullivan Report.

FROST & SULLIVAN REPORT

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to report on the global lingerie industry and the global lingerie materials market from 2008 to 2016. Frost & Sullivan is an independent global consulting firm founded in 1961 and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes consumer goods, agriculture, forestry, husbandry and fishery, automotive and transportation, chemicals, materials and food, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, minerals and metals, and technology, media and telecom.

The Frost & Sullivan Report includes historical and forecast information on the global lingerie market and the global lingerie materials market and other economic and industrial data, which have been quoted in this prospectus. The Frost & Sullivan Report has been prepared independent of our Group's influence. The total consideration for Frost & Sullivan's commission amounts to RMB750,000, which we believe reflects the market rate.

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various official government publications in the EU, the U.S., Japan and the PRC as well as information provided by international organisations and industry sources. Primary research involved interviews with leading industry participants in the global lingerie industry and global lingerie materials market, and related industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Frost & Sullivan has assumed that the information and data, which it obtained from Independent Third Parties and publicly available data, are complete and accurate. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these parameters. The information contained herein has been obtained from sources which Frost & Sullivan believes are reliable, but there can be no assurance as to the accuracy or completeness of any such information.

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Frost & Sullivan also adopted the following primary assumptions while making projection for the global lingerie materials market:

- related industry key drivers are likely to drive the global lingerie industry and global lingerie materials market in the forecast period, such as rising household income and rising purchasing power;
- the global economy is likely to gradually recover over the forecast period;
- there is no obvious replacement of the raw materials; and
- there is no external shock such as natural disasters to affect the demand and supply of raw materials during the forecast period.

All statistics are reliable and are based on information available as at the date of the Frost & Sullivan Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

THE GLOBAL LINGERIE INDUSTRY

Overview of the global lingerie industry

The lingerie industry is a part of the underwear and innerwear segment of the apparel industry. Lingerie refers to undergarments designed specifically for women. Major categories of lingerie include bras, panties and shapewear. With improvements in living standards, consumers have become more demanding in terms of the quality of their clothing fabric and want clothes with new functions such as being elastic, wicking, anti-static, anti-ultraviolet, anti-bacterial or thermal insulated. According to the Frost & Sullivan Report, the retail revenue of the global lingerie market is expected to grow from US\$65.7 billion in 2012 to US\$82.1 billion in 2016:

Market size of global lingerie market, 2008-2016E



Source: Frost & Sullivan

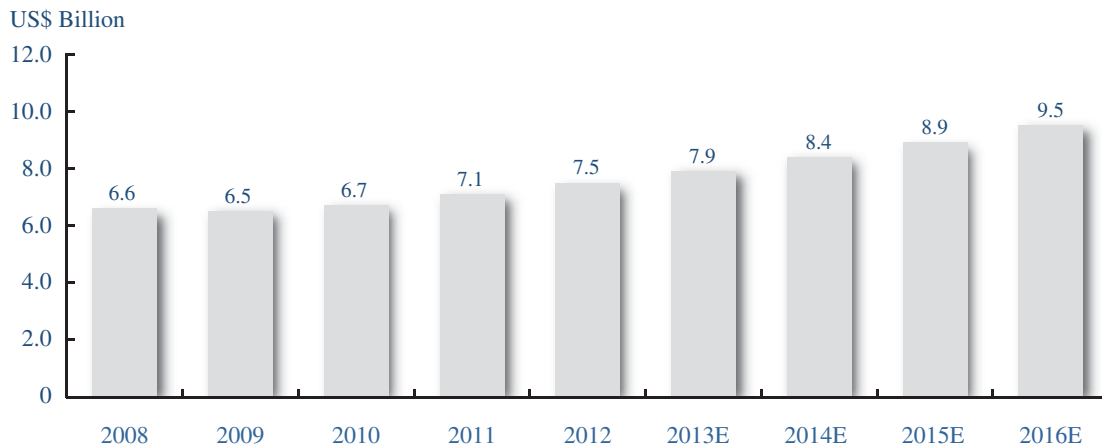
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THE GLOBAL LINGERIE MATERIALS MARKET

Overview of the global lingerie materials market

According to the Frost & Sullivan Report, the global lingerie materials market usually consists of key elements, including (i) fabrics such as elastic fabrics and non-elastic fabrics represented by cotton fabrics; (ii) lace; (iii) molded foam cups; and (iv) accessories including elastic webbing, bra hooks and eye fasteners. Elastic fabrics, elastic webbing and lace constitute 65.5% of the total revenue of the global lingerie materials market in 2012. These three lingerie materials are processed from nylon and spandex. They comprise the majority of manufacturing costs of lingerie manufacturers. The market size of the global lingerie materials market by sales revenue reached US\$7.5 billion in 2012, and is expected to grow to US\$9.5 billion in 2016. The following chart illustrates the historical and projected market size of the global lingerie materials market from 2008 to 2016:

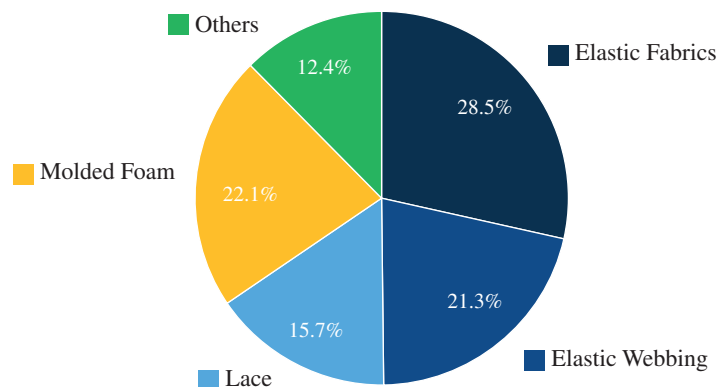
Market size of global lingerie materials, 2008-2016E



Source: Frost & Sullivan

The following chart illustrates the breakdown of the global lingerie materials market in 2012:

Breakdown of market size of global lingerie materials, 2012



Total Sales Revenue: \$7.5 Billion

Source: Frost & Sullivan

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Most lingerie materials suppliers only manufacture limited types of materials. As a result, many lingerie manufacturers must source their lingerie materials by piecemeal from various suppliers, and even from different countries. According to the Frost & Sullivan Report, our Group is one of the few lingerie materials manufacturers which offer one-stop solutions for lingerie manufacturers and are able to supply a wide range of lingerie materials including elastic fabrics, elastic webbing and lace to help lingerie manufacturers simplify their sourcing process. Some one-stop solutions providers with strong innovative and research and development capabilities also work closely together with lingerie brand owners and lingerie manufactures to develop new designs and customized products.

The global lingerie materials market is highly fragmented. According to the Frost & Sullivan Report, the top five players in the global lingerie materials market by sales revenue in 2012 were our Group, Company A, Company B, Company C and Company D. These top five players only held in aggregate of approximately 9.0% of the market share of the global lingerie materials market by sales revenue in 2012. Among them, our Group was the largest supplier of lingerie materials worldwide in 2012 with a total revenue of US\$174.9 million, representing approximately 2.3% of the total market share by sales revenue. The following table sets forth the market share by sales revenue of each of the top five players in the global lingerie materials market in 2012:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Best Pacific⁽¹⁾	174.9	2.3
2	Company A	161.2	2.2
3	Company B	144.4	1.9
4	Company C	103.7	1.4
5	Company D	86.3	1.2

Source: Frost & Sullivan

Note:

(1) Assumption: 5% of its elastic fabrics are sold for non-lingerie purposes like swimwear and sportswear.

Overview of the global elastic fabrics market for lingerie

Elastic fabrics is usually made from synthetic fibres such as spandex and nylon filament, which are mostly applied in lingerie products as an alternative to cotton. The high functionality and elasticity of elastic fabrics contributes to its popularity as a main fabric type for lingerie products.

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The global elastic fabrics market for lingerie expanded steadily from 2008 to 2012 and recorded sales revenue of US\$2.1 billion in 2012. The Frost & Sullivan Report projects that the total sales revenue of the global elastic fabrics market for lingerie will reach US\$2.7 billion in 2016. The chart below illustrates the historical and projected sales revenue of the global elastic fabrics market for lingerie from 2008 to 2016:



Source: Frost & Sullivan

Growth drivers

According to the Frost & Sullivan Report, increasing demand from global lingerie markets is expected to be the primary growth driver for the global elastic fabrics sector for lingerie in the next two years. The key market drivers in the next three to five years include (i) innovation in functionality and better qualities of synthetic fibres; (ii) the shift from grey fabrics production to high-value printed and dyed fabrics; and (iii) national political support, for example in December 2010, “The Scientific and Technological Progress Outline of the 12th Five-year Textile Industry” clearly stated to “develop molding weaving, short fibre warp knitting technology and other new technologies”, which brings additional opportunities in China. These factors are also expected to encourage research and development by major manufacturers, on top of improving the average technology level of the overall elastic fabrics industry for lingerie, which create better profit margins while meeting national industry guidelines for standardisation and upgrade.

Competitive landscape

Our Group was the largest manufacturer in the global elastic fabrics market for lingerie, capturing the largest market share among all players of elastic fabrics for lingerie by sales revenue in 2012. The following table sets forth the market share by sales revenue of each of the top five players of the global elastic fabrics market for lingerie in 2012:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Best Pacific⁽¹⁾	113.7	5.3
2	Company C	103.7	4.9
3	Company A	61.4	2.9
4	Company E	41.4	1.9
5	Company F	40.4	1.9

Source: Frost & Sullivan

Note:

(1) Assumption: 5% of its elastic fabrics are sold for non-lingerie purposes like swimwear and sportswear.

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Company C

Company C was established in the PRC and offers elastic fabrics and non-elastic fabrics primarily targeting the general apparel, sportswear, swimwear and lingerie industries. With a production volume of elastic fabrics for lingerie which amounted to approximately 25.2 million m., generating approximately US\$103.7 million sales revenue in 2012, Company C ranked second in the global elastic fabrics market for lingerie in 2012.

Company A

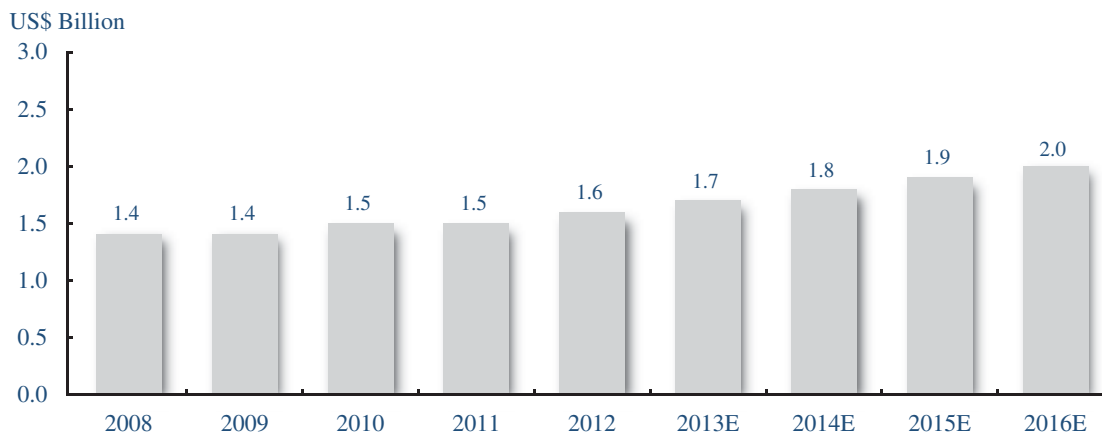
Company A was established in Hong Kong and has a product portfolio which comprises elastic fabrics, lace, webbing and molds. It primarily targets at customers in the lingerie, sportswear, swimwear and night wear industries, among others. Company A had a production volume of approximately 11.5 million m. and recorded approximately US\$61.4 million sales revenue of elastic fabrics for lingerie in 2012, which ranked third in the global elastic fabrics market for lingerie in 2012.

Overview of the global elastic webbing market for lingerie

The primary raw materials for making elastic webbing include nylon, polyester and some elastic materials such as spandex. Elastic webbing made from nylon is easily dyed with the qualities of high strength, an extensive colour palate, abrasive resistance and excellent touch, all of which make it an ideal choice for production of shoulder straps for lingerie products.

Similar to the global elastic fabrics market for lingerie, the global elastic webbing market for lingerie also expanded steadily from 2008 to 2012 and recorded sales revenue of US\$1.6 billion in 2012. The Frost & Sullivan Report projects the total sales revenue of the global elastic webbing market for lingerie to reach US\$2.0 billion in 2016. The chart below illustrates the historical and projected sales revenue of the global elastic webbing market for lingerie from 2008 to 2016:

Market size of global elastic webbing for lingerie, 2008-2016E



Source: Frost & Sullivan

Growth drivers

According to the Frost & Sullivan Report, the global elastic webbing market for lingerie is expected to be driven upwards by a rising demand from the growing global lingerie market in the next two years, especially in China, where the retail revenue of the lingerie market is expected to grow at a CAGR of approximately 16.7% from 2012 to 2016. In addition, continuous technological

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improvement and innovation in the production of synthetic fibres have enhanced the durability and performance of elastic webbing for lingerie. With the support and use of advanced production machineries with higher level of automation and efficiency, the technological advancement in the production of synthetic fibres is expected to be another key growth driver of the global elastic webbing market for lingerie in the next three to five years. These factors are expected to encourage research and development by major manufacturers and create better profit margins for the production of elastic webbing for lingerie with improved technological content.

Competitive landscape

Our Group was the second largest manufacturer by sales revenue in the global elastic webbing market for lingerie in 2012. The following table sets forth the market share by sales revenue of each of the top five players of the global elastic webbing market for lingerie in 2012:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Company D	86.3	5.4
2	Best Pacific	61.0	3.9
3	Company G	52.0	3.3
4	Company H	36.4	2.3
5	Company A	29.0	1.8

Source: Frost & Sullivan

Company D

Company D was established in Sri Lanka and produces elastic webbing and its target major applications include lingerie, sportswear, bandages and industrial use, among others. Company D had a production volume of approximately 622.1 million m. of elastic webbing for lingerie and recorded sales revenue of approximately US\$86.3 million in 2012, which ranked first in the global elastic webbing market for lingerie in 2012.

Company G

Company G was established in Hong Kong and primarily produces elastic webbing for use in lingerie and men's underwear industries. With a production volume of approximately 389.5 million m. of elastic webbing for lingerie and sales revenue of approximately US\$52.0 million in 2012, Company G ranked third in the global elastic webbing market for lingerie in 2012.

Overview of the global lace market for lingerie

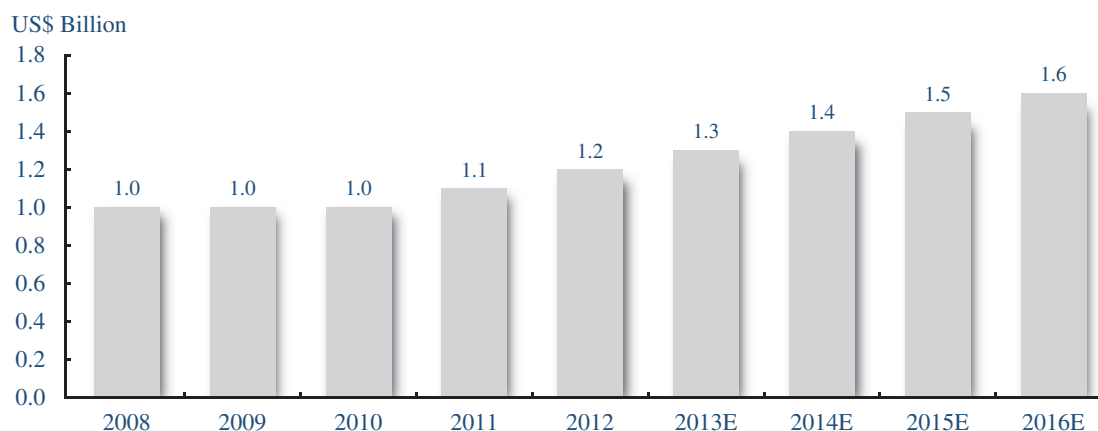
Lace fabrics is divided into elastic lace fabrics and non-elastic lace fabrics. Elastic lace fabrics is comprised of about 10% spandex and 90% nylon. Non-elastic lace fabrics is fully composed of either nylon or cotton. Lace is a key decorative component of lingerie products with different designs and patterns produced by a complex process, and hence usually generates a higher gross profit margin, ranging from 40% to 60%, compared to other lingerie materials, such as elastic fabrics and elastic webbing. The global lace market for lingerie has been growing with rising demand for different styles of lingerie products.

According to the Frost & Sullivan Report, the global lace market for lingerie grew steadily from 2008 to 2012 and the sales revenue reached US\$1.2 billion in 2012. The growth in disposable income and rising acceptance of lingerie in developing countries are expected to increase the

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demand for lace. The total sales revenue of the market is expected to increase to US\$1.6 billion in 2016. The chart below illustrates the historical and projected sales revenue of the global lace market for lingerie from 2008 to 2016:

Market size of global lace for lingerie, 2008-2016E



Source: Frost & Sullivan

Growth drivers

According to the Frost & Sullivan Report, women's increasing preference for lingerie products with different designs and patterns is expected to drive the growth of the global lace market for lingerie, which is mainly used as a decorative material, in the future. Furthermore, evolution of material technology will improve the comfort level and introduce new styles of lace products, while upgrade of production technology with high level of automation will enhance efficiency with reduced cost. Both of these trends will increase the profitability of lace manufacturers for lingerie.

Competitive landscape

According to the Frost & Sullivan Report, the global lace market for lingerie is highly fragmented. The top three players of the global lace market for lingerie only held approximately 11.2% of the market share by sales revenue in 2012, as shown by the following table:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Company I	51.2	4.4
2	Company J	42.0	3.6
3	Company K	37.9	3.2
4	Company L	30.2	2.6
5	Company A	19.5	1.7

Source: Frost & Sullivan

Company I

Company I was established in the PRC and produces lace for products such as lingerie, wedding dress and night wear. Company I produced approximately 26.9 million m. of lace for

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lingerie with sales revenue of approximately US\$51.2 million in 2012, which ranked first in the global lace market for lingerie in 2012.

Company J

Company J is a French company and produces lace for lingerie and female apparel. Company J had a production volume of approximately 9.7 million m. and sales revenue of approximately US\$42.0 million of lace for lingerie in 2012, which ranked second in the global lace market for lingerie in 2012.

Company K

Company K is a Hong Kong company and which produces lace for lingerie, fashion apparel and night wear. Company K produced approximately 14.7 million m. of lace for lingerie and generated approximately US\$37.9 million of sales revenue in 2012, which ranked third in the global lace market for lingerie in 2012.

Key advantages of our Group over competitors

According to the Frost & Sullivan Report, our Group has two key advantages over its competitors, including (i) ability to offer one-stop solutions — our Group is one of the few lingerie materials manufacturers that can offer one-stop solutions by offering a comprehensive range of lingerie materials, including elastic fabrics, elastic webbing and lace, to lingerie manufacturers and lingerie brand owners, which effectively help simplify their sourcing process, as compared to its competitors which usually manufacture only one type of lingerie material; and (ii) strong innovative and research and development capabilities — our Group has the capability to design and customize innovative and new elastic fabrics and elastic webbing products for leading lingerie brands and manufacturers through which it has established close and long-term relationships with over the years of cooperation.

Key barriers of entry of global lingerie materials market

As the elastic fabrics industry for lingerie is both capital and labour intensive, large-scale investment in fixed assets, raw materials, technology, human resources and cash flow is required to achieve economies of scale. These expenditures include the capital investments required for setting up a factory and purchasing machineries with new technology, employing and fostering professional, technical and management personnel.

With local and foreign countries attaching high importance to environmental issues, the production process involving emission of wastewater is regulated by government constraints and green barriers set by international purchasers. As a result, the significant investments required for facilities to control emission of wastewater and compliance with green standards are also likely to pose difficulties for new entrants.

Similar to the global elastic fabrics market for lingerie, the key barriers to entry of the global elastic webbing market for lingerie include capital investment and environmental compliance. Client expansion is also difficult for new entrants because it takes time to build trust with customers that demand stringent product quality and such customers have a tendency to purchase from established, qualified and authorised suppliers.

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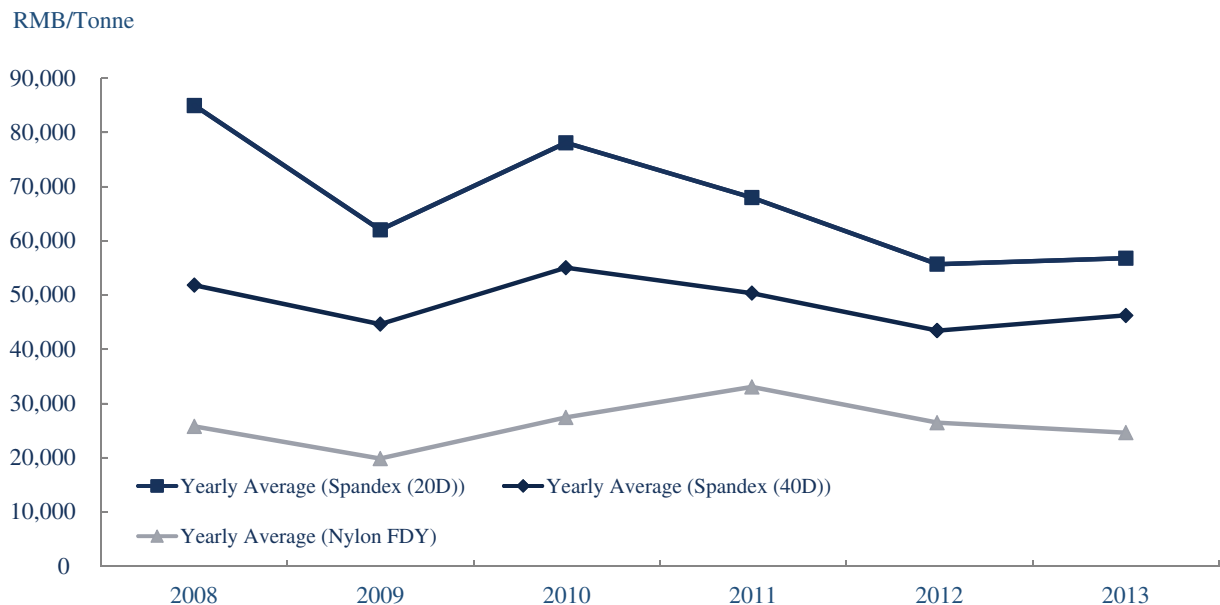
Lace manufacturers must also continue to invest in their design capabilities. Compared to other lingerie materials, lace requires more frequent innovation to keep pace with consumer preferences. Leading lace companies usually have a team dedicated for the design and innovation of lace. This sets high requirement and poses difficulties for new entrants to the global lace market for lingerie.

PRICES OF RAW MATERIALS FOR PRODUCTION

The manufacture of elastic fabrics, elastic webbing and lace are affected by fluctuations in prices of raw materials such as spandex and nylon. Prices of spandex and nylon are in turn affected by fluctuations in crude oil prices. Since spandex and nylon are among the major raw materials used in our Group's production, the fluctuations in the prices of these two raw materials were key factors which affected our Group's cost of production.

Spandex is measured in denier (D) and the smaller the denier, the longer or more yards of fabric are produced per pound of cloth fibre which results in thinner cloth with a finer weave. Our Group primarily uses the thinner Spandex 40D and Spandex 20D for its production of the elastic lingerie materials. The chart below shows the average price of nylon and spandex from 2008 to 2013:

Average price of nylon and spandex (China), 2008 -2013



Source: WIND, China Chemical & Fiber Economic Information Network, Frost & Sullivan

Nylon

The average price of nylon was affected by the negative impact of the global economic crisis. As a result of compressed demand, the average price of nylon per tonne experienced a decline from approximately RMB25,789 in 2008 to approximately RMB19,854 in 2009. Stimulated by a gradual recovery of the Chinese economy, there was a high growth rate in the average price of nylon per tonne from approximately RMB18,600 in May 2009 to RMB36,700 in March 2011. However, from 2011 to July 2013, the slowdown of the domestic market and depressed overseas

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demand pulled down the average price of nylon per tonne from RMB33,068 to RMB24,643, respectively.

Spandex

Relative to crude oil, the average price of spandex has evolved in similar trend. According to the Frost & Sullivan Report, the crude oil price dropped significantly due to the financial crisis, while the average price of Spandex 40D decreased from approximately RMB51,825 per tonne in 2008 to approximately RMB44,633 per tonne in 2009. Similarly, the average price of spandex 20D decreased from approximately RMB84,958 per tonne in 2008 to approximately RMB62,025 per tonne in 2009. The average prices of Spandex 40D and Spandex 20D reached approximately RMB55,042 and approximately RMB78,075 respectively in 2010, which were mainly driven by the moving price of crude oil and its derivatives such as polyoxytertramethylene glycol as the main feedstock of Spandex. From 2011 to 2012, due to the oversupply of Spandex caused by the continuous capacity expansion and stagnant downstream demand, the average prices per tonne dropped to the average level of 2009 and largely kept stable at a low level despite the fluctuation in crude oil prices. Beginning in 2013, while the spandex capacity has not yet been fully optimized in China and given the recovering global economy, spandex prices have seen a slight increase during the first half of 2013.