This section contains information and statistics relating to the Chinese economy and the industry in which we operate. We have derived such information and data partly from publicly available government official sources and market research reports, which have not been commissioned or independently verified by us, the Sole Sponsor, the Sole Lead Manager, the Underwriters or any of their respective affiliates or advisors. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Our Directors have taken reasonable care in the reproduction of such information. The information in such government official sources may not be consistent with the information compiled within or outside China. We make no representation as to the correctness or accuracy of such information and accordingly such information should not be unduly relied on. We have taken such care as we consider reasonable in the reproduction and extraction of such information.

SOURCES OF INFORMATION

The *China National Textile and Apparel Council* (中國紡織工業協會) is an Independent Third Party and a national industry organisation. It is authorised by the PRC Government to provide business consultation related to the textile industry in the PRC. It is engaged in developing market intelligence system and facilitating market development for the textile industry in the PRC including the preparation of the *China Textile Industry Development Reports*, which is not commissioned by us.

The *China Statistical Yearbook 2011* (中國統計年鑑 2011) is an official publication issued by the *National Bureau of Statistics of China* (中華人民共和國國家統計局), a department within the PRC Government. Information and statistics derived from the *China Statistical Yearbook 2011* constitute official public information. The *National Bureau of Statistics of China* is an Independent Third Party. No fees were paid to the *National Bureau of Statistics of China* for use and disclosure of its information in this section.

The *Cotlook A(FE) Index* is an internationally cited cotton price index published by an independent research firm, Cotlook Ltd. The prices indicated on the *Cotlook A (FE) Index* is calculated based on aggregate delivered prices, including transportation costs and freight, to all major cotton trading ports in the Far East, and is representative of the prices traded on the international raw cotton market, including the United States, India and Australia, delivered to a port in the Far East. No fees were paid to Cotlook Ltd. for use and disclosure of its information in this section.

The *CC328 Index* is a major sub-index for domestic cotton price under the China Cotton Index system. It is prepared and published by the *China Cotton Association* (中國棉花協會), a non-profit organisation under the supervision and management of *Ministry of Civil Affairs of the PRC* (中華人民共和國民政部). No fees were paid to the *China Cotton Association* for use and disclosure of its information in this section.

The *China Chemical Fibre* website, www.CCF.com.cn (中國化纖信息網), ("CCF Website") is a online platform for domestic and international information on the chemical fibres industry. It provides weekly updates on major price indices for the industry. It also publishes industry reports on a regular basis. Our Company is a fee-based subscriber to the website.

The *U.S. Energy Information Administration* is an Independent Third Party which collects, analyses, and disseminates energy information to promote public understanding of energy and its interaction with the economy and the environment. It provides a wide range of information and data products covering energy production, stocks, demand, imports, exports, and prices. No fees were paid to the *U.S. Energy Information Administration* for use and disclosure of its information in this section.

Wind Information Co., Ltd. (上海萬得信息技術股份有限公司) ("Wind Info") is a leading integrated provider of financial data, industry reports and software services to financial enterprises in the domestic market. It also provides advisory services to *Qualified Foreign Institutional Investors* (QFII). No fees were paid to Wind Info for use and disclosure of its information in this section.

We have purchased the *China Cotton Yarn Industry Development Research Report* (中國純棉紗線行業發展研究報告) (the "*Cotton Yarn Industry Report*"), the *China Polyester-cotton Blended Yarn Industry Development Research Report* (中國棉滌混紡紗行業發展研究報告) (the "*Polyester-cotton Blended Yarn Industry Report*"), and the *China Polyester Yarn Industry Development Research Report* (中國純滌綸紗行業發展研究報告) (the "*Polyester Yarn Industry Report*"), together with the *Cotton Yarn Industry Report* and the *Polyester-cotton Blended Yarn Industry Report*, the "*Yarn Industry Reports*")) issued in October 2011 by *Qianxun (Beijing) Information Consulting Co., Ltd.* (千訊(北京)信息諮詢有限公司) ("Qianinfo") for a fixed fee of RMB18,600. Qianinfo is a leading independent market research service provider in the PRC founded in 2002. Its service covers a wide range of industries, including textile industry. The *Yarn Industry Reports* were not commissioned by our Company nor the Sole Sponsor. The sources of data and analysis in the *Yarn Industry Reports* are obtained from: (i) long-term observation by Qianinfo; (ii) first-hand information from interviews conducted by Qianinfo; (iii) data and information from government and official organisations; (iv) published opinions from industry specialists and periodicals; and (v) publications obtained from libraries.

TEXTILE INDUSTRY IN CHINA

The textile industry is recognised as one of the "pillar industries" in China. According to the *China Textile Industry Development Report 2010/2011*, the aggregate revenue generated by 55,391 Enterprises with Scale in the PRC textile industry as at 30 November 2010 amounted to RMB4.2 trillion from January 2010 to November 2010, representing 10.6% of China's GDP for the same year. The textile industry was affected by the economic crisis during early 2009, which resulted in reduced sales and investments in the industry. The PRC Government implemented a series of measures to revive the textile industry in China and the industry gradually recovered during 2009. According to the *China Textile Industry Development Report 2010/2011*, in 2010, production volumes of mid-to-downstream products of the textile industry, including yarns and chemical fibres, have increased significantly due to strong demand from the domestic market. According to the *Statistical Communiqué of the People's Republic of China on the 2010 National Economic and Social Development* (2010年國民經濟和社會發展統計公報) released by the *National Bureau of Statistics of China*, the total fixed assets investment in urban areas for textile industry increased by 26.4% from 2009 to RMB223,000.0 million in 2010. During the same period, the total yarn production volume amounted to 27.2 million tonnes, representing a 13.5% increase from 2009 to 2010; the total chemical fibres output amounted to 30.9 million tonnes, representing a 12.5% increase from 2009 to 2010. According to the *China Textile Industry Development Report 2010/2011*, the industry-wide total revenue amounted to RMB4,167.8 billion for the first eleven months of 2010. The following table sets forth the revenue breakdown of the PRC textile industry from January 2010 to November 2010 by region:

Rank	Province/Autonomous Region/Municipality	Revenue (RMB million)	As a Percentage of the Total Revenue of the PRC Textile Industry (%)
1	Jiangsu	940,724	22.6
2	Zhejiang	813,441	19.5
3	Shandong	715,176	17.2
4	Guangdong	437,689	10.5
5	Fujian	228,210	5.5
6	Henan	160,467	3.8
7	Hubei	119,267	2.9
8	Hebei	109,101	2.6
9	Liaoning	89,786	2.1
10	Shanghai	87,544	2.1
11	**Jiangxi**	**77,477**	**1.9**
12	Sichuan	77,194	1.8
13	Anhui	67,681	1.6
14	Hunan	53,415	1.3
15	Inner Mongolia	37,479	0.9
	Other Regions	153,154	3.7
Total		**4,167,805**	**100.0**

Source: China Textile Industry Development Report 2010/2011

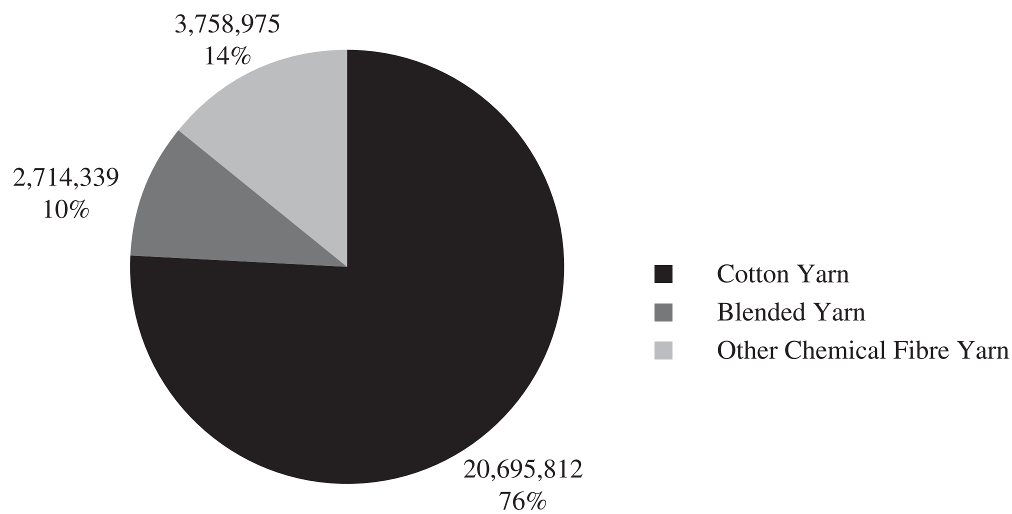
The following table sets forth the aggregate yarn production volume of the PRC textile industry for the year ended 31 December 2010 by region:

Rank	Province/Autonomous Region/Municipality	Production Volume (in Tonnes)	As a Percentage of the Total Production Volume of the PRC Textile Industry (%)
1	Shandong	7,310,105	26.9
2	Jiangsu	4,345,826	16.0
3	Henan	3,998,808	14.7
4	Zhejiang	2,148,654	7.9
5	Fujian	1,841,761	6.8
6	Hubei	1,695,754	6.2
7	Hebei	1,239,140	4.6
8	Hunan	785,294	2.9
9	**Jiangxi**	**746,779**	**2.7**
10	Sichuan	708,057	2.6
11	Anhui	565,419	2.1
12	Guangdong	451,639	1.7
13	Xinjiang	395,325	1.5
14	Shaanxi	271,162	1.0
15	Liaoning	149,295	0.5
	Other Regions	516,109	1.9
Total		**27,169,127**	**100.0**

Source: China Textile Industry Development Report 2010/2011

The following chart sets forth a breakdown of the production of cotton yarns, blended yarns and other chemical fibre yarns in China in 2010:

2010 China Yarn Production Breakdown by Type
(in Tonnes)



Source: China National Textile and Apparel Council

The textile industry in China comprises several sectors. The polyester yarn industry and the cotton yarn industry are two important sectors in the textile industry, details of which are set forth below.

POLYESTER YARN INDUSTRY

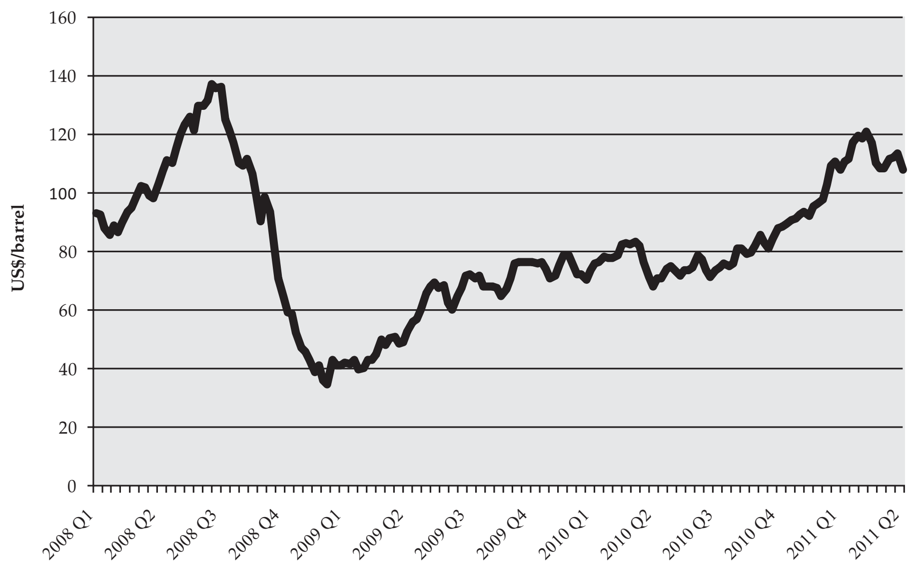
The polyester yarn industry is one of the downstream industries that consume polyester as a raw material. Enterprises engaged in the polyester yarn industry purchase polyester products from the upstream suppliers. Polyester yarn is the end product. According to the *China Chemical Fibre* website, from 2008 to 2010, the average annual production value per enterprise for polyester yarn industry increased from approximately RMB426 million to approximately RMB448 million; the average revenue increased from approximately RMB424 million to approximately RMB452 million; and the average net income increased significantly from RMB5.0 million to RMB27.8 million, which represents a CAGR of 235.8% from 2008 to 2010. According to the *National Bureau of Statistics of China*, the total realised investment for the PRC polyester industry increased from RMB7,100 million in 2008 to RMB12,600 million in 2010, representing a CAGR of 33.2%.

Price of Polyester Staple Fibre

Polyester staple fibre is a type of chemical fibre made of synthetic polymers. It is one of the most commonly used chemical fibres in the textile industry. Polyester staple fibre bears a high resemblance to cotton, and is commonly used in the production of apparel. Compared to natural filament, polyester staple fibre has the advantages of improved wrinkle resistance, durability and colour retention.

Fluctuations in the raw material prices will result in the fluctuation of prices of polyester yarn and fabric. Increase in cotton prices and crude oil prices also indirectly influence the prices of polyester yarn and fabric. Due to the significant increase in cotton prices during 2010, demand for substitute products, such as polyester increased, which also drove up the price of polyester staple fibre as an upstream raw material for the production of polyester yarn. Synthetic polymers are downstream chemical products of oil and natural gases. As a result, fluctuations in the price of crude oil affect the price of polyester staple fibre. The price of global crude oil reached a historical high of US$137.1 per barrel in the third quarter of 2008 before decreasing significantly to as low as US$36.0 per barrel in the fourth quarter of 2008. Since the fourth quarter of 2008, the price of global crude oil had gradually increased to US$90.6 per barrel by the fourth quarter of 2010 and further increased to US$107.8 per barrel by the second quarter of 2011. The following chart sets forth the prices of global crude oil from January 2008 to June 2011:

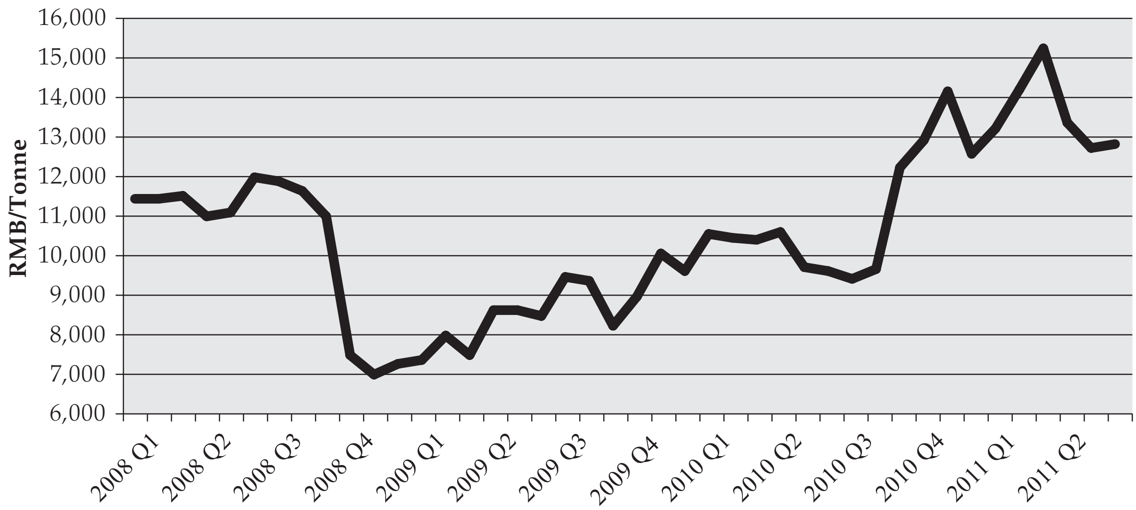
Global Crude Oil Price



Source: the EIA

With the increase of global crude oil prices and increase in demand from downstream polyester yarn manufacturers, the prices of polyester staple fibre fluctuated between RMB7,000.0 per tonne and RMB14,000.0 per tonne during the three-year period from 2008 to 2010, and further fluctuated between RMB12,600.0 per tonne and RMB15,250.0 per tonne from January 2011 to June 2011 according to the *China Chemical Fibre* website. Factors influencing prices of polyester staple fibre in China include the following: price fluctuations of raw materials used to produce polyester products, downstream manufacturers' forecast of future movements in the price of raw materials, adjustments of stocks in accordance to the demand forecast. The following chart sets forth the domestic prices of polyester staple fibre from January 2008 to June 2011:

Domestic Price of Polyester Staple Fibre



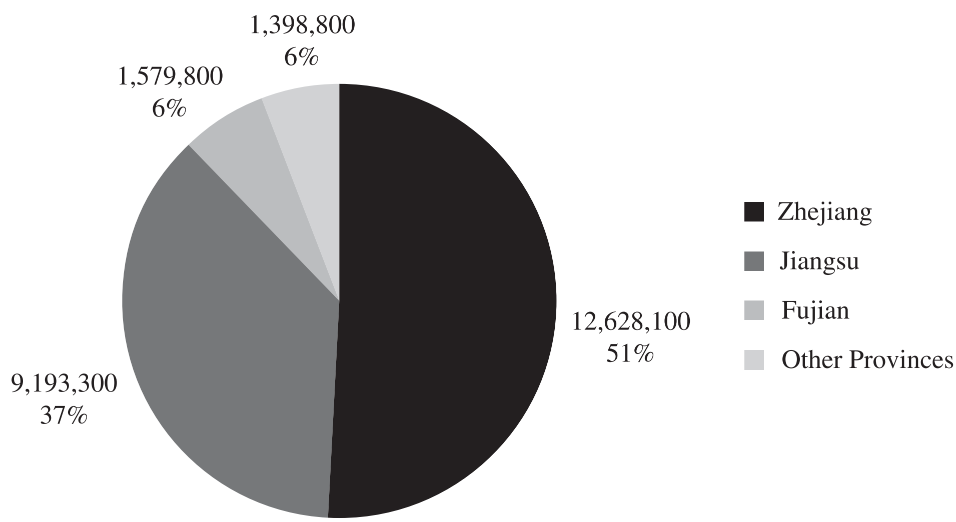
Source: the CCF Website

Polyester Yarn Production

According to the *China Textile Industry Development Reports*, total production volume of polyester fibre in China increased from 12.7 million tonnes in 2005 to 24.8 million tonnes in 2010, representing a CAGR of 14.3%. According to the *National Bureau of Statistics of China*, total production volume of polyester staple fibre in China was 6.9 million tonnes, 7.9 million tonnes, and 8.4 million tonnes in 2008, 2009, and 2010, respectively. The increase in the domestic production volume of polyester staple fibre has been associated with decreased imports from 145,300.0 tonnes in 2008 to 143,000.0 tonnes in 2010; during the same period, polyester staple fibre exports increased from 462,700.0 tonnes in 2008 to 595,600.0 tonnes in 2010, equivalent to a CAGR of 13.5%.

In 2010, the top three polyester fibre producing provinces in China were Zhejiang, Jiangsu, and Fujian. The following chart sets forth the highest polyester fibre producing provinces in China in 2010:

2010 China Polyester Fibre Production Breakdown by Province (in Tonnes)



Source: the CCF Website

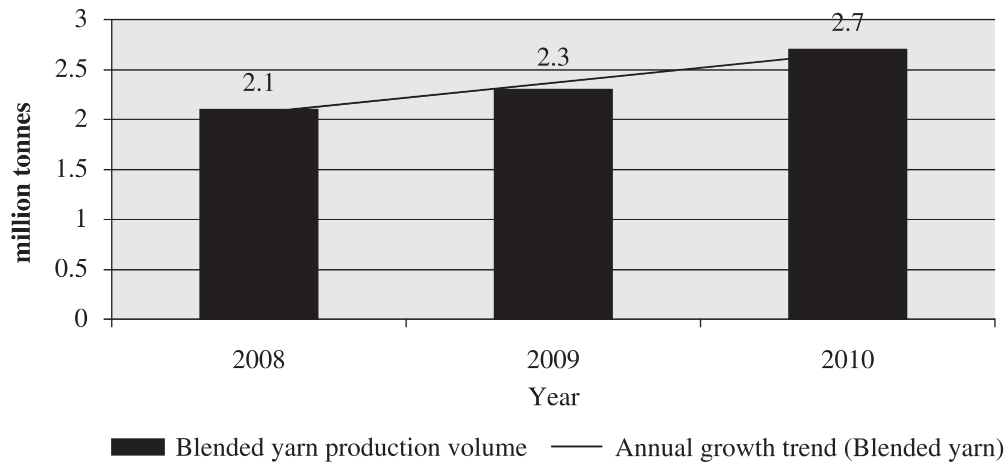
Since 2009, the price of cotton yarns has recorded a substantial increase due to the historical high level of cotton prices in the same period. The market showed an increase in demand for polyester yarns, which is a partial substitute for cotton yarns.

BLENDED YARN INDUSTRY

Blended yarns refer to the broad category of yarns manufactured from more than one type of fibre. Polyester-cotton blended yarns are yarns that comprise polyester and cotton. Polyester-cotton blended yarn can be versatile, as it most likely retains the lightness of cotton fibre, but also combines the strength, durability and wrinkle-resistance of polyester. Polyester-cotton blended yarn should only shrink slightly in comparison to a garment or fabric that is 100% cotton. Polyester-cotton blended yarn may comprise different proportions of polyester and cotton. Depending on the proportions of polyester and cotton in the blended yarn, the resulting yarn could have different features.

The blended yarn industry is typically referred to as the downstream industry of the polyester and cotton industry. According to *China National Textile and Apparel Council*, total production volume of blended yarn in China for the year 2008, 2009, and 2010 was 2.1 million tonnes, 2.3 million tonnes and 2.7 million tonnes, respectively, representing a CAGR of 13.4% from 2008 to 2010. The following chart sets forth the domestic production volume for blended yarn from 2008 to 2010:

2008-2010 Blended Yarn Production in China



Source: China National Textile and Apparel Council

Government Policy for Blended Yarns

Blended yarn industry was listed as one of the encouraged sub-sectors within textile industry in the *Consolidation and Development Plans for Textile Industry* (紡織工業調整和振興規劃) published by the PRC Government in early 2009. The future emphasis will be placed on developing blended yarns composed of advanced materials and various types of yarns, and hence improving the functionality of the clothes woven from these blended yarns.

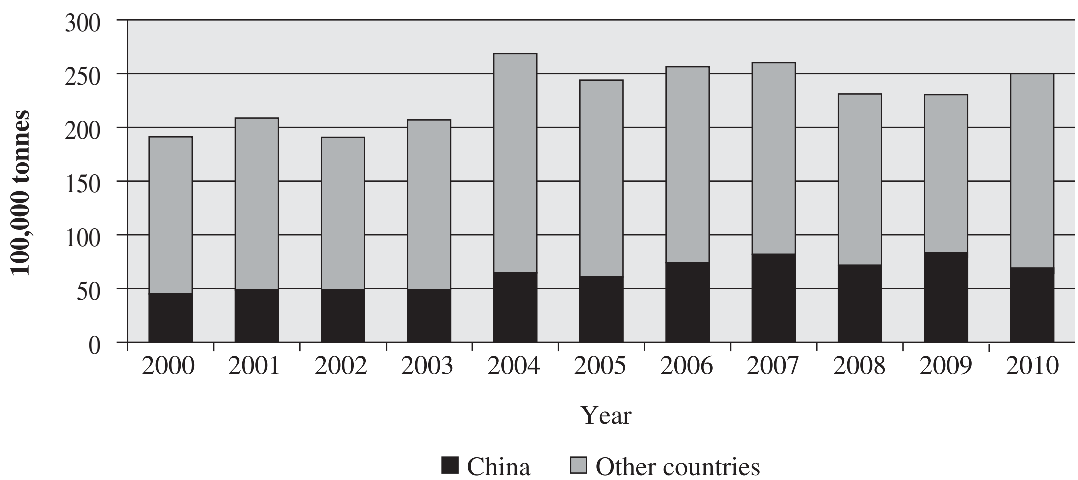
COTTON TEXTILE INDUSTRY

Production of Cotton

Cotton is one of the primary raw materials used in the cotton textile industry. Global cotton production was 25.0 million tonnes in 2010 according to the *China Textile Industry Development Report 2010/2011*.

According to the *China Textile Industry Development Report 2010/2011*, China was the world's largest cotton producing country from 2000 to 2010. In 2010, China's cotton production volume was 6.2 million tonnes, accounting for 24.8% of the total global production volume, according to the *China Textile Industry Development Report 2010/2011*. The following chart sets forth the global cotton production from 2000 to 2010:

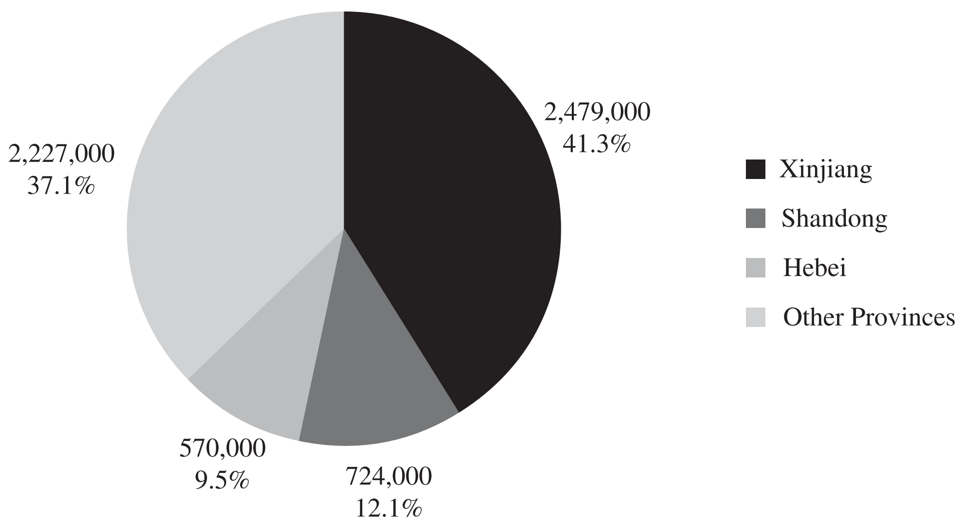
World Cotton Production



Source: China Textile Industry Development Reports 2010/2011

According to the *National Bureau of Statistic of China*, in 2010, the total sown area of cotton was 4.9 million hectares and the total production volume of cotton was 6.0 million tonnes. In 2010, the top three cotton producing provinces in China were Xinjiang, Shandong and Hebei, which collectively accounted for over 60% of the cotton production in China. Xinjiang was the single largest cotton-producing autonomous region, which accounted for 2.5 million tonnes, or 41.3%, of total production volume in China in 2010. The following chart sets forth the distribution of major cotton producing provinces and autonomous regions in China in 2010:

2010 China Cotton Production Breakdown by Province
(in Tonnes)

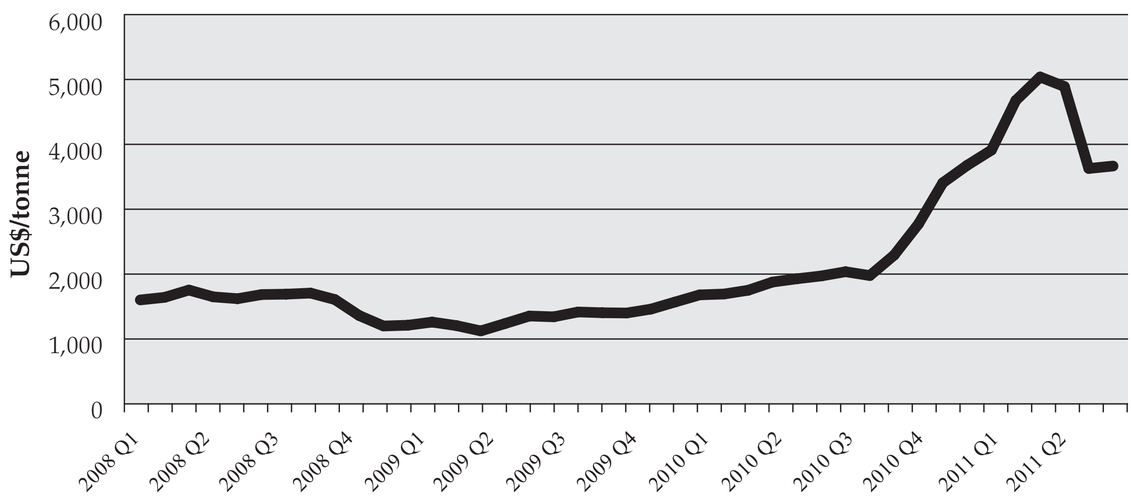


Source: China Statistical Yearbook 2011

Price of Cotton

Prices for *Cotlook A(FE)* increased from US$1,614.4 per tonne in January 2008 to US$3,685.1 per tonne in June 2011. The following chart sets forth the international prices of cotton in the Far East from January 2008 to June 2011 based on the *Cotlook A(FE) Index*:

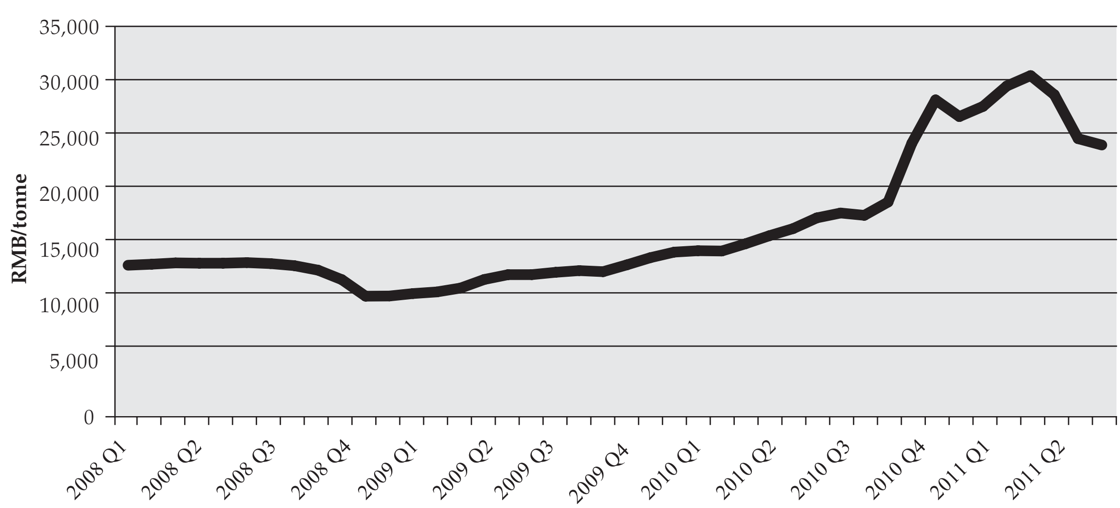
Price of Cotton (Far East)



Source: Cotlook A (FE) Index

The following chart sets forth the prices of cotton in China from January 2008 to June 2011 based on the *CC328 Index*:

Price of Cotton (China)



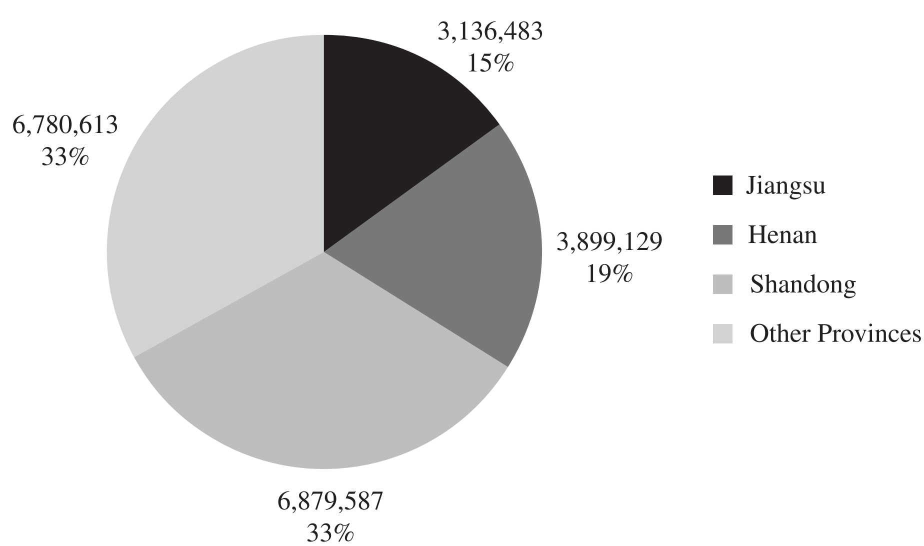
Source: China Cotton Association

From January 2008 to June 2011, the prices of cotton in China demonstrated a similar trend to that of international prices of cotton and recorded an average price of RMB13,096.8 per tonne in 2008, RMB12,804.4 per tonne in 2009, RMB19,373.3 per tonne in 2010 and RMB27,832.3 per tonne in 2011. The prices of cotton had been increasing since the fourth quarter of 2008, further increased significantly in the third quarter and fourth quarter of 2010, and decreased in the first quarter and the second quarter of 2011. Reasons for increase in cotton price are as follows: national adjustments of cotton reserves, decrease in production capacity and the decrease in quality of cotton produced, decrease in amount of cotton distributed at national level, and transportation difficulties in Xinjiang, which is the largest cotton producing province in China. Total cotton production in China was 6.2 million tonnes in 2010, which was 12.7% lower than the production volume in 2009, according to the *China Textile Industry Development Report 2010/2011*.

Cotton Yarn Production

Total production of cotton yarn for Enterprises With Scale increased from 16.7 million tonnes in 2008 to 20.7 million tonnes in 2010, representing a CAGR of 11.3%. According to the *China Textile Industry and Development Report 2010/2011*, the top three cotton yarn producing provinces in China in 2010 were Shandong, Henan, and Jiangsu. The following chart sets forth the highest cotton yarn producing provinces in China in 2010:

2010 China Cotton Yarn Production Breakdown by Province (in Tonnes)



Source: China National Textile and Apparel Council

DEVELOPMENT TRENDS OF THE COTTON TEXTILE INDUSTRY IN CHINA

In April 2009, the PRC Government announced the *Consolidation and Development Plans for Textile Industry* (紡織工業調整和振興規劃) with a view to revitalise the textile industry in the PRC to be implemented during 2009 to 2011. This plan is aimed at eliminating out-dated and inefficient textile enterprises in order to improve the textile industry as a whole. Since its implementation, the industry has effectively eliminated a total production capacity of approximately 1.4 million tonnes with many technologically out-dated factories closing down, according to the *China National Textile and Apparel Council*. Below is a list of certain objectives and details of the *Consolidation and Development Plans for Textile Industry* relevant to us:

- Acceleration of technology upgrade, which includes technology advancements, changing traditional industrial standards to advanced and applicable technology standards, increasing the production efficiency of the textile industry, improving product structures, and advancing supply capacity of the market as a whole. Particularly in the yarn industry, the objectives are to focus on further increasing the involvement of auto-inspection conducted by mechanical facilities and improving the level of automatic cotton blending capacity. It is also a goal to reduce the consumptions of natural resources incurred during production through improved production efficiency which will be brought by advancement in new technology;

- Optimising strategic regional distribution of industry segments, which includes strengthening the cooperation between the in-land areas and Xinjiang to establish a quality production base to produce quality cotton yarns; and

- Enhancing the public service system, which includes strengthening information and technology system of enterprises, promoting an appropriate ERP system and e-commerce system for the textile industry.

The PRC Government further sets out certain policy measures to achieve the above objectives, which include:

- Increase investments in technology improvement and advancement by supporting technology updates and improvements at the entrepreneurial level, particularly supporting advanced technology developments in new facilities and supporting the yarn production industry;

- Increase domestic consumption by, among others, improving business, environment, expanding sales network, reducing cost of circulation and improving quality of products;

- Increase financial support to textile enterprises, which includes providing financial assistance to the enterprises which meet labour demands in the area, have good credit histories and have no severe damages to the environment and are competitive but temporarily suffer operational and financial difficulties. Financial institutions shall maximise the degree of loan assistance or allow appropriate extension period when a loan is due. In particular, financial institutions shall loosen conditions of write-offs for medium- or small-sized textile enterprises, tax authorities shall simplify the procedures and processes of reviewing write-offs in financial institutions for such textile enterprises, and the government shall prepare full amount reserves and subsidies to handle risk management for such enterprises. The central and local financial authorities shall support credit guarantor institutions in their guarantees to such medium- or small-sized textile enterprises, and encourage guarantor institutions to provide credit guarantee services and financing services to such enterprises; and

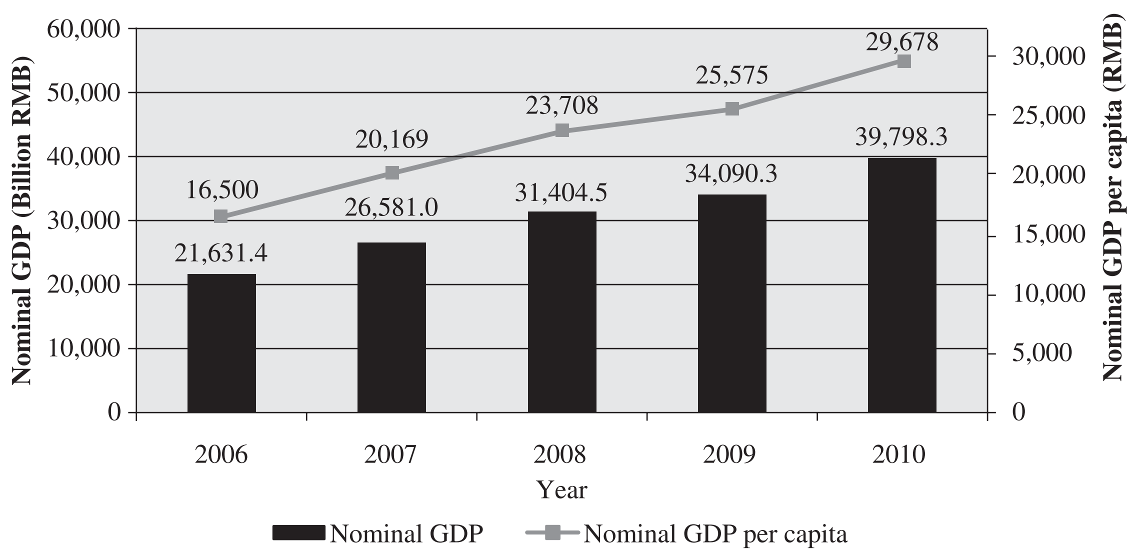
- Increase support for small-and medium-sized enterprises in the textile industry, which includes building public service platforms, enhancing public service systems, promoting and developing textile areas of development, and supporting research and technological innovations in the textile industry.

FACTORS AFFECTING THE PERFORMANCE OF THE TEXTILE INDUSTRY

Economic Growth in China

China's economic growth and its increasing domestic demand for consumer goods are major drivers for the growth of the cotton yarn industry and the polyester yarn industry in China. According to the *National Bureau of Statistics of China*, the nominal GDP of China increased from RMB21.6 trillion in 2006 to RMB39.8 trillion in 2010, representing a CAGR of 16.5%. From 2006 to 2010, the GDP per capita of China also increased from RMB16,500.0 to RMB29,678.0, representing a CAGR of 15.8%. The following charts set forth the nominal GDP and GDP per capita of China between 2006 and 2010:

Nominal GDP and GDP per capita of China

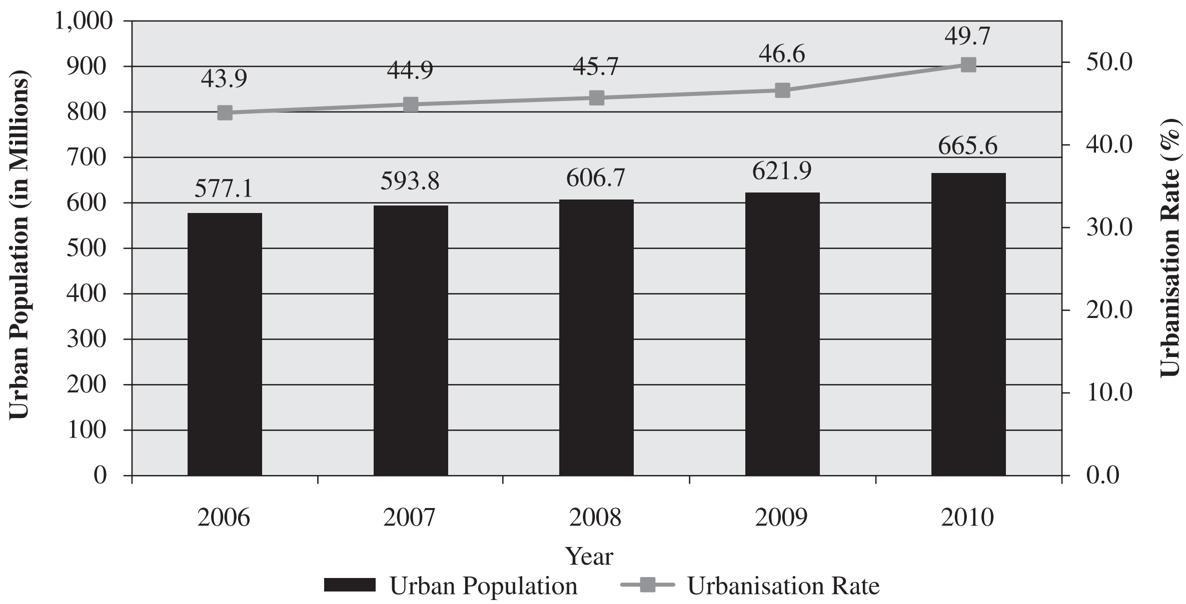


Source: National Bureau of Statistics of China

Growth of Urban Population

According to the *National Bureau of Statistics of China*, the urban population in China has increased from 577.1 million in 2006 to 665.6 million in 2010. The urbanisation rate which is a percentage of the urban population to the total population in China grew from 43.9% in 2006 to 49.7% in 2010. The following chart sets forth the urban population and the urbanisation rate in China between 2006 and 2010:

Urban Population and Urbanisation Rate in China

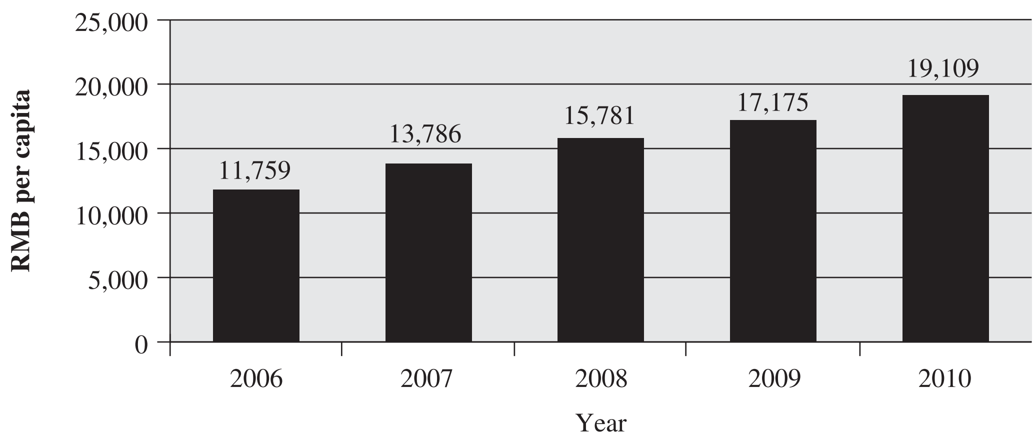


Source: National Bureau of Statistics of China

Growth in Disposable Income of Urban Households in China

Along with the continuous growth in the economy and the trend towards urbanisation, the income levels of urban households have increased. The increase in the household income has strengthened the purchasing power of the urban population. According to the *National Bureau of Statistics of China*, the annual per capita disposable income of urban households in China increased from RMB11,759.0 in 2006 to RMB19,109.0 in 2010, representing a CAGR of 12.9%. The following chart sets forth the annual per capita disposable income of urban households in China between 2006 and 2010:

Annual Disposal Income of Urban Households

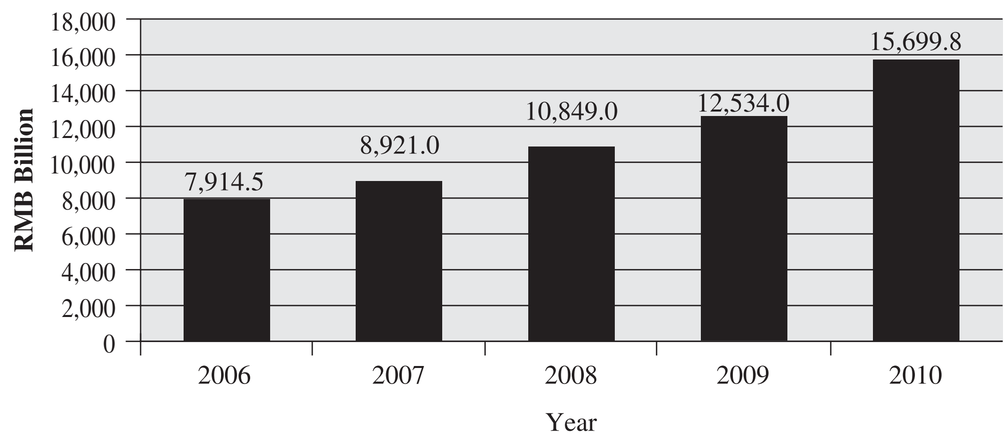


Source: National Bureau of Statistics of China

Growth in Retail Sales and Consumption

Retail sales of consumer goods in China have experienced rapid growth as a result of the growing economy, the growing urban population, increasing urbanisation rate and increasing level of disposable income of urban households. According to the *National Bureau of Statistics of China*, the retail sales of consumer goods in China increased from RMB7,914.5 billion in 2006 to RMB15,699.8 billion in 2010, representing a CAGR of 18.7%. The following chart sets forth the retail sales of consumer goods in China between 2006 and 2010:

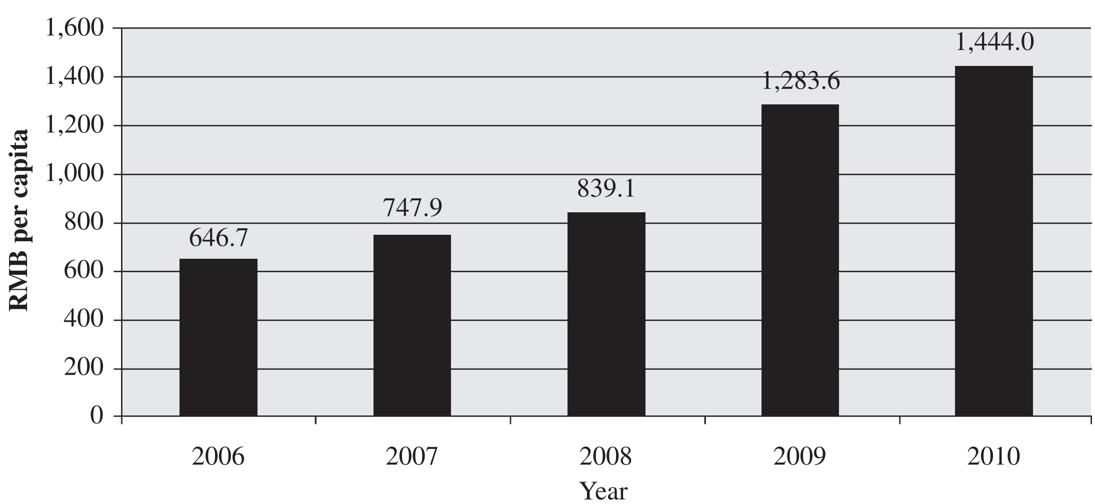
Retail Sales of Consumer Goods in China



Source: National Bureau of Statistics of China

The annual urban households' expenditure on apparel per capita in China have also increased from RMB646.7 in 2006 to RMB1,444.0 in 2010, representing a CAGR of 22.2%. The following chart sets forth the annual urban household's expenditure on apparel per capita in China between 2006 and 2010:

Annual Urban Households' Expenditure on Apparel



Source: National Bureau of Statistics of China

Export of Textile Products from China

Textile exporters which include manufacturers of apparel and home textile product purchase one of their major raw material inputs from yarn manufacturers. The volume of textile export has an influence over the yarn industry in general.

The textile industry in China experienced significant decrease in export for the year 2009. According to the *China Textile Industry Development Report 2009/2010*, total textile and garment export amounted to US$171.3 billion for 2009, which decreased by 9.7% from 2008. The rate of export growth decreased by 17.6%, with small-sized and medium-sized enterprises contributing significantly to the decrease in export. However in 2010, China textile and garment export rapidly returned to the level before the global economic crisis. According to the *General Administration of Customs of the PRC*, the export value of textile and garment amounted to US$206.5 billion in 2010, representing a 20.5% increase from 2009 to 2010. During the same period, the total value of textile yarns and textile articles export was US$77.1 billion, representing a 28.4% increase from 2009 to 2010.

COMPETITION

Polyester Yarns

In general, the polyester yarn manufacturers compete on a variety of factors, such as price, sales channel, quality of product and services and brand awareness.

According to the *Polyester Yarn Industry Report*, the polyester yarn industry is highly competitive. The polyester yarn industry in the PRC is highly fragmented. The total production volume in China was approximately 8.9 million tonnes, out of which Jinyuan accounted for 0.4% of the total production volume, for the year ended 31 December 2010. According to the *Polyester Yarn Industry Report*, the price of polyester yarns fluctuates according to not only the prices polyester staple fibre but also the prices of raw cotton.

According to the *Polyester Yarn Industry Report*, high local consumption rate combined with logistic conveniences for both domestic and imported raw materials provides these regions with cost advantages. In addition to the domestic polyester yarn manufacturers, we also compete with international manufacturers based on product quality, brand recognition, production capacity, production technology and proximity to customers.

The production of polyester yarns is centralised in eastern China, which accounts for over 60.0% of market share in China's polyester yarn market in terms of designed capacity in 2010. Zhejiang province and Jiangsu province represents 52.3% and 37.8%, respectively of the overall designed production capacity in China in 2010.

Since the PRC production capacity for polyester yarns are mostly consumed by domestic demand for most polyester yarns, hence import for polyester yarn products are only limited to higher-end products where domestic productions are insufficient to meet domestic demands. According to Qianinfo, total net export[(1)] for the polyester yarn industry in 2010 was approximately 86,600 tonnes.

Note:

(1) Equals to total export minus total import.

Polyester-Cotton Blended Yarns

In general, the polyester-cotton blended yarn manufacturers compete on a variety of factors, such as functionality, product quality, price and physical appearance.

According to the *Polyester-cotton Blended Yarn Industry Report*, the polyester-cotton blended yarn industry is highly competitive. The polyester-cotton blended yarn industry in the PRC is highly fragmented. The total production volume in China was approximately 2.7 million tonnes, out of which Jinyuan accounted for 0.7% of the total production volume, for the year ended 31 December 2010. According to the *Polyester-cotton Blended Yarn Industry Report*, the market for polyester-cotton blended yarns was saturated, where there were still a slight shortage for high-end products and it was necessary to import certain high-end products to satisfy the production requirements in the PRC. While the production capacity for low-end polyester-cotton blended yarn products already exceeded the demand for such products in the PRC, the production capacity for high-end products in this segment in the PRC was still insufficient to satisfy demand and the imbalance was expected to continue in the next few years according to Qianinfo.

According to the *Polyester-cotton Blended Yarn Industry Report*, high local consumption rate combined with logistic conveniences for both domestic and imported raw materials provides these regions with cost advantages. In addition to the domestic polyester-cotton blended yarn manufacturers, we also compete with international manufacturers based on product quality, brand recognition, production capacity, production technology and proximity to customers.

The production of polyester-cotton blended yarns is centralised in eastern China, which accounts for over 65.0% of market share in China's polyester-cotton blended yarn market in terms of designed capacity in 2010. Jiangsu province, Zhejiang province, Shandong province represents approximately 35%, 24% and 22% of the eastern China designed production capacity in 2010. These areas are also more focused on producing higher-end polyester-cotton blended yarns compared to other provinces in China.

Since the PRC production capacity for polyester-cotton blended yarns would mostly consumed by domestic demand for most polyester-cotton blended yarns, import for polyester-cotton blended yarn products are only limited to higher-end products where domestic productions are insufficient to meet domestic demands. According to Qianinfo, total net import[(1)] for the polyester-cotton blended yarn industry in 2010 was approximately 2,700 tonnes.

Note:

(1) Equals to total import minus total export.

Cotton Yarns

In general, the cotton yarn manufacturers compete on a variety of factors, such as price, products sales channel, quality of product and services and brand awareness.

According to the *Cotton Yarn Industry Report*, the cotton yarn industry is highly competitive and fluctuates according to raw material price changes. The cotton yarn industry in the PRC is highly fragmented. The total production volume in China was approximately 27.2 million tonnes, out of which Jinyuan accounted for 0.008% of the total production volume, for the year ended 31 December 2010. According to the *Cotton Yarn Industry Report*, the supply of cotton yarns in the PRC in 2010 was slightly less than its demand and the net import of cotton yarn for the year 2010 was approximately 600,000 tonnes, representing approximately 3% of the apparent consumption of cotton yarns in the PRC.

According to the *Cotton Yarn Industry Report*, high local consumption rate combined with logistic conveniences for both domestic and imported raw materials provides these regions with cost advantages. In addition to the domestic cotton yarn manufacturers, we also compete with international manufacturers based on product quality, brand recognition, production capacity, production technology and proximity to customers.

The production of cotton yarns is centralised in the eastern China, which accounts for over 85% of market share in China's cotton yarn market in terms of designed capacity in 2010. These areas have formed a conglomerate of large cotton yarn manufacturers which are also famous enterprises in China.

Due to the high international cotton prices and the upward pressure in the exchange rate for Renminbi in 2010, PRC textile companies showed an increasing demand for high-quality overseas cotton yarns, and hence increased cotton yarn imports in 2010. According to Qianinfo, total net import[(1)] for the cotton yarn industry in 2010 was approximately 600,000 tonnes.

Note:

(1) Equals to total import minus total export.