Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks in connection with an investment in the Company. Investors should also pay particular attention to the fact that we conduct a significant part of our operations in the PRC, which has a legal and regulatory environment that may differ in some respects from that of other countries. The business, financial condition, results of our operations or prospects could be adversely and materially affected by such risk and uncertainties. The trading price of the Shares could decline due to any of these risks and investors may lose all or part of their investment.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Failure to successfully maintain or enhance our brand recognition may adversely affect our business, financial condition, results of operations and prospects.

We sell substantially all of our products under our "redkids" brand. Our brand recognition is critical to our success as we believe that market perception and consumer acceptance of a brand is a determining factor in consumers' purchase decisions. We have established our "redkids" brand as a children's apparel brand that offers high-quality, functional and comfortable products. If we are unsuccessful in promoting our "redkids" brand or fail to maintain our brand position or market perception, our reputation and consumer acceptance of our "redkids" brand may erode, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any negative publicity or disputes relating to our "redkids" brand, products, sponsored events or management, the loss of any award or accreditation associated with our "redkids" brand or products or the use of our "redkids" brand name or trademarks by unauthorized third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on third-party distributors and their sub-distributors to sell substantially all of our products to end consumers; however, we have limited control over these distributors and sub-distributors.

As of June 30, 2013, 582 of the retail outlets under our "redkids" brand were owned and managed by our distributors and their sub-distributors. We rely on distribution agreements to ensure that our distributors adhere to our retail policies. There is no assurance, however, that our distributors will comply with our retail policies or follow our strategies at all times. In the event that any non-compliance occurs, we may not be able to effectively manage our distribution network or maintain our brand image. In addition, we do not have direct contractual relationships with sub-distributors and we rely on distributors to oversee the operations of retail outlets operated by their sub-distributors. Moreover, if any of our distributors fails to adhere to its contractual obligation to distribute our products on an exclusive basis or fails to comply with our policies, our brand image, business, financial condition, results of operations and prospects could be materially and adversely affected. Any deviation by our distributors and their sub-distributors from our marketing and pricing policies or aggressive discounting of the retail prices of our products could result in the erosion of goodwill, a decrease in the market value of our brand and an unfavorable public perception about the quality of our products, thus resulting in a material and adverse effect on our business, financial condition, results of operation and prospects.

If we fail to anticipate and respond in a timely manner to changes in consumer preferences and end customer demand in the children's product market in the PRC, our sales may decline and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We believe that our success depends on our ability to anticipate, identify and interpret the habits, tastes of and trends among our target consumers and to offer products that adjust to their preferences. If we fail to anticipate accurately the shifts in consumer preferences or fail to introduce new and improved products to satisfy those preferences in a timely manner or adjust our product mix accordingly, our sales and market share may decrease, resulting in reduced profitability. In addition, given the diversity of our consumers across China, we must offer products that satisfy a broad spectrum of consumer preferences and continuously develop innovative products across our product categories in order to be successful. As part of our plan to broaden our product portfolio, we plan to invest more resources in the design, research and development of new products. However, we cannot assure you that our target consumers will accept or be satisfied with these new products when we introduce them. If our new products fail to effectively meet the market demand thus fail to generate profits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Termination of or failure to renew distribution agreements by our distributors and significant decrease in purchases from our distributors could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We sell substantially all of our products to distributors on a wholesale basis, and they in turn sell our products to end customers through retail outlets owned by them or their sub-distributors or through online sales platforms. As of June 30, 2013, we had 24 distributors in 24 provinces and municipalities in China, who together with their sub-distributors operated a total of 62 shopping mall outlets, 308 street shops and 212 department store concessions under our "redkids" brand. Sales to our five largest distributors accounted for 32.0%, 35.2%, 46.3% and 45.9% of our total turnover for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, while sales to our largest distributor accounted for approximately 7.0%, 7.6%, 16.9% and 14.7% of our total turnover for those respective periods.

We typically enter into distribution agreements with our distributors for a term from one to four years, which are renewable upon expiration. We cannot assure you that the distribution agreements we have with existing distributors will be renewed on the same or similar terms, or at all, upon or before the expiration of these distribution agreements, nor can we assure you that existing distributors will not terminate these distribution agreements before they expire. There is also no assurance that existing distributors will continue to place orders with us at historical levels, or at all. If any of the major distributors substantially reduces its volume of purchases from us or ceases to do business with us altogether, our sales may decrease substantially and our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, if any of our distributors terminates or does not renew its distribution agreement with us, we may not be able to replace it with a new distributor in a timely manner, or the replacement distributor may not be able to manage the corresponding retail network effectively. If we are unable to locate a replacement distributor, we would lose sales generated from the retail outlets in that region and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our limited experience operating self-operated retail outlets and our failure to effectively handle the risks associated with operating our self-operated retail outlets may materially and adversely affect our business, financial condition, results of operations and prospects.

As part of our business strategies, we plan to establish self-operated retail outlets as model stores to enhance our brand recognition, demonstrate our standards for store appearance and provide guidance to distributors in brand promotion and retail management. We established one self-operated retail outlet in 2013 and we plan to develop more self-operated retail outlets in the next few years. However, there are certain potential risks associated with establishing our self-operated retail outlets. Our management team has to allocate their time from our other daily operations to retail management matters. In addition, we expect staff costs to increase as we employ additional employees to run our self-operated retail outlets. Furthermore, we incur initial setup costs for our self-operated retail outlets, including rental deposits, decoration and leasehold improvements as well as initial inventories, all of which causes cash outflows and puts pressure on our operating cash flows. We expect the payback period(1) for the initial setup costs of each of our self-operated retail outlets to be approximately two to three years. We expect the profit and loss breakeven period(2) for each of our self-operated retail outlets to be between three to six months. However, we cannot assure you that we will be able to achieve the payback period or the profit and loss breakeven period for our self-operated retail outlets as expected or at all. Furthermore, we are also required to obtain relevant licenses and to secure suitable locations for our self-operated retail outlets. However, there is no assurance that we will be able to obtain the relevant licenses or to secure the suitable locations for our self-operated retail outlets according to our development plan or at all. We have limited experience operating self-operated retail outlets, so it may be difficult for us to identify and address all the challenges that we may face. Our financial condition and results of operations should be considered in light of the risks and difficulties we may face. If we are unable to successfully handle these risks and difficulties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be able to accurately track the sales and inventory levels of our distributors and their sub-distributors.

We do not have a management information system that connects our headquarters to the retail outlets under our "redkids" brand that sell our products. Currently, we rely on monthly visits to retail outlets operated by our major distributors and the sub-distributors engaged by them and on quarterly visits to retail outlets operated by our other distributors and their sub-distributors to monitor our distributors' and their sub-distributors' sales and inventory levels. Our major distributors, including our top ten distributors measured by sales revenue during the Track Record Period, are also required to submit inventory reports on a monthly basis and other distributors are required to submit inventory reports on a quarterly basis. The retail outlets we visit are selected randomly as we believe random sampling would eliminate sampling bias and thus enhance the accuracy of the sales and inventory data collected. We also have members of our sales team spot check inventory at retail outlets from time to time. As there is no system that allows us to monitor sales and inventory changes independently, we rely heavily on the cooperation of distributors and

Note:

(1) *The period of time required to recover the initial setup costs, which is expected to grow in line with the Group's overall capital expansion plan, of each self-operated retail outlet by its net profit, assuming the revenue will increase in line with the overall business growth and there will be no material impact on the business and operating result of the self-operated retail outlet due to the seasonal fluctuations in market demand, market inflations, increase in new material costs and labor expenses throughout the operation periods.*

(2) *The period of time required for a self-operated retail outlet to generate sales equal to its operating cost for the first time, assuming the nurturing period for each of the new self-operated retail outlet would generally take one to three months after opening and revenue growth rates and gross profit margins would be similar to the existing self-operated retail outlet.*

sub-distributors to obtain such data. If distributors or sub-distributors fail to provide us with accurate sales and inventory data, we may not have any other means to ascertain sales or inventory levels in our distribution network. As a result, we may misjudge market conditions and plan our production and procurement based on erroneous information, which, in turn, may materially and adversely affect our business, financial condition, results of operations and prospects. We plan to install an ERP system in phases to allow us to obtain real-time operating data, including sales and inventory levels, at all retail outlets. However, there is no assurance that such ERP system will be installed according to our plan or, when implemented, operate as we intend without interruption. Any disruption to the installation of the ERP system or to the implementation of the ERP system may adversely affect our ability to accurately track sales and inventory levels or to identify or prevent any excessive inventory build-up at retail outlets, which in turn, may materially and adversely affect our business, financial condition, results of operations and prospects.

We or our distributors may not be successful in securing prime locations for shopping mall outlets, street shops and department store concessions.

We sell substantially all of our products to end consumers through a network of retail outlets owned and managed by our distributors and their sub-distributors or through online sales platforms. Our performance depends, to a significant extent, on the location of these retail outlets, as we believe prime location is key to accessing our target consumer groups and brand building. As the supply of prime locations is limited, the competition to secure these properties or locations is intense. Our competitors may secure our desired prime locations before we or our distributors can. In addition, department store operators may increase the concession fees charged on the retail outlets operated by our distributors and/or their sub-distributors, and as a result, the operations of these retail outlets may not be commercially viable to our distributors. We cannot assure you that we or our distributors and/or their sub-distributors will be able to identify, rent and maintain suitable properties or negotiate with and open retail outlets in shopping malls, department stores or street shops on terms acceptable to us or our distributors and/or their sub-distributors. In the event that we or our distributors and/or their sub-distributors fail to secure prime locations for retail outlets under our brand, our sales, business, financial condition, results of operations and prospects may be materially and adversely affected.

We outsource the production of a portion of our products. Any disruption in the supply of our products could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We outsource the manufacturing of a portion of our products to external domestic OEMs. Our OEMs may decide not to accept our future purchase orders on the same or similar terms or at all. If an OEM decides to substantially reduce its volume of supply to us, substantially increase the prices of its products or terminate its business relationship with us, we may need to find a proper replacement in a timely manner, the failure of which may result in delays or defaults on the distribution agreements with our distributors. In addition, if any of our OEMs fails to provide the required amount of products meeting our quality standards, we may need to source products from other OEMs, which may result in additional costs and delays in the delivery of our products to our distributors. If the products failing to meet our quality standards have already been sold to our distributors, we may need to recall these products, resulting in additional costs, and our business reputation may be negatively affected.

A number of factors could also cause prolonged interruptions or have a negative effect on the operations of these OEMs, such as equipment failures or property damages experienced by these OEMs, changes in laws and regulations that affect their manufacturing costs or process or financial difficulties or labor disputes faced by these OEMs. Moreover, we may not be able to exercise adequate control over the operations of our OEMs and as a result are not able to ensure their compliance with applicable laws and regulations. Failure on the part of any of our outsourced OEMs to comply with applicable laws and regulations, such as product-related, labor and environmental laws and regulations, may result in negative publicity which may damage our image and reputation and materially and adversely affect our profitability. Any of the above events may materially and adversely damage our relationships with our distributors or disrupt the supply of our products, causing a material and adverse effect on our business, financial condition, results of operations and prospects.

As we do not have direct control over our OEMs, if any of them is involved in unauthorized production of products using our brand, which may have lower quality and be sold at lower prices on the market, our reputation, business, financial condition, results of operations and prospects may be materially and adversely affected.

As we expect to expand our business and our product portfolio, our reliance on OEMs is also likely to increase in 2013 and beyond. We may not be able to find sufficient additional OEMs to produce our products on the same or similar terms as our existing contractual OEMs. As a result, we may not be able to achieve our growth and development goals.

We may encounter difficulties when expanding into new markets, introducing new products or integrating new brands into our business.

We plan to expand our geographic coverage by establishing self-operated retail outlets and working with our distributors to expand our distribution network to new markets. However, factors as listed below could prevent us from competing effectively in these markets and thus negatively affect our expansion:

- unfamiliarity with these local markets;
- difficulty in targeting qualified local distributors;
- difficulty in obtaining prime locations for retail outlets; and
- market entry barriers such as strong local competitors that may have proximity advantages and local connections.

In addition, retail outlets in our distribution network have been highly successful since their openings and contributed significantly to the growth in our revenue and net profit. However, for new retail outlets to be launched and operated in new markets, there is no assurance that they will be as successful as other retail outlets in our distribution network.

The children's product market is highly competitive and consumers are tempted to change their choices and preferences whenever new products are launched or introduced by various marketing and promotional events of different brands owned by our competitors. In order to keep our leading position in this competitive market, we need to keep upgrading our existing product series and develop new and innovative products to respond to consumers' demands and market changes. The development of new product categories involves inherent risks, such as making incorrect judgments as to consumer preferences, the anticipated levels of demand and/or the price ranges for the new products. Failure to successfully translate market trends into attractive product offerings and to recover development, production and marketing costs of unsuccessful new products in the future may adversely affect our business, financial condition, results of operations and prospects.

Furthermore, to enhance our growth, we may acquire other international children's product brands to expand our brand portfolio in the future. However, any new brands that we acquire in the future may not achieve anticipated growth or may fail, and we may also not be able to successfully integrate these acquired brands into our existing business operations. We cannot guarantee that any of the brands we acquire and promote will meet our revenue goals or achieve the product and business mix necessary to improve our operating margins. Failure of our brand strategy could materially and adversely affect our business, financial condition, results of operations and prospects.

Increase in cost of outsourced production, raw materials and labor in the PRC may adversely affect our business and our profitability.

The principal raw materials used in the production of our children's products are fabrics and auxiliary materials, including buttons and zippers. We generally do not maintain long-term contracts with our raw material suppliers or OEMs, and the prices that we pay for raw materials and products they provide are subject to fluctuation and are affected by several factors, such as fluctuations in commodity prices, our purchase volume, market demand for the raw materials and the availability of substitute materials. Further, labor costs in the PRC have increased significantly in recent years and have impacted our cost structure. In addition to inflation and other factors, the implementation of the PRC Labor Contract Law (中華人民共和國勞動合同法), which became effective on January 1, 2008, also contributed to the increase in labor costs in the PRC. Among other things, the PRC Labor Contract Law imposes more stringent requirements on employers in relation to entry into fixed term employment contracts, dismissal of employees, provision of severance payment and paid annual leave for employees. We expect that our labor costs will continue to increase in the future. If we are unable to identify and adopt other appropriate means to reduce costs of our in-house or outsourced production or to pass on such increases in the cost of raw materials, labor or products to end consumers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Furthermore, we cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Any future disputes with our employees could adversely affect our business, financial condition, results of operations and prospects.

Disruption of our manufacturing operations could have a material and adverse effect on us.

The proportion of our products manufactured at our production facilities in Quanzhou, Fujian Province amounted to approximately 31.9% of our total cost of sales for the six months ended June 30, 2013. Our ability to meet the demand of and our contractual obligations with our distributors as well as our ability to grow our business is heavily dependent on efficient, proper and uninterrupted operations at our production facilities. Problems may arise during the manufacturing process for a variety of reasons, including power failures or disruptions, the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to fire or natural disasters, such as typhoons or earthquakes, and would severely affect our ability to continue our operations. We could also experience labor disputes or strikes in the future which could negatively affect or even halt our operations. As of the Latest Practicable Date, we did not have any business interruption insurance. Any such events and any losses or liabilities that are not covered by our current insurance policies could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We operate in a fragmented and highly competitive market. If we fail to compete effectively, our market share and profit margins may decline.

The children's apparel industry is currently fragmented and highly competitive. Participants in this market include both international and domestic brands that compete on, among other things, brand loyalty, product variety, product design, product quality, marketing and promotion, retail network coverage, price and the ability to meet delivery commitments to distributors and retailers. This competition has led to leading brands continuing to gain market share at the expense of less established and lower-end brands. We may not be able to compete effectively against competitors who may have greater financial resources, greater scale of production, superior product design, better brand recognition and a wider, more diversified and established retail network. If we fail to compete effectively, our market share and profit margins may decline. To compete effectively and maintain our market share, we may be forced to, among other actions, reduce prices, provide more sales incentives to our distributors and increase expenditures on advertising, which may in turn materially and adversely affect our profit margins, business, financial condition, results of operations and prospects.

We recorded a net current liabilities position as of December 31, 2010.

We recorded net current liabilities of RMB13.3 million as of December 31, 2010, primarily because we had RMB137.1 million in short-term loans from our Controlling Shareholder and related parties, which were used to finance our working capital needs. We had a net current assets position as of December 31, 2011 and 2012.

We cannot assure you that we will not have a net current liabilities position in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and repayment of bank loans will depend primarily on our ability to generate adequate cash inflows from our operating activities. If we are unable to maintain sufficient work capital, our business, financial position, results of operations and prospects would be materially and adversely affected.

We recorded negative operating cash flow for the years ended December 31, 2010 and 2011. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected.

We recorded negative operating cash flow of approximately RMB8.4 million and RMB2.3 million for the years ended December 31, 2010 and 2011, respectively. We recorded negative operating cash flow mainly because of an increase in inventories and trade and other receivables for the years ended December 31, 2010 and 2011, a decrease in trade and other payables to our suppliers, OEMs and related parties and an increase in pledged deposits due to our increased use of bills as a payment method for the year ended December 31, 2011. We cannot assure you that we will be able to record positive operating cash flow in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow become negative, and we can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us or at all.

We are heavily dependent on certain of our key personnel and design and technical personnel. Our inability to attract, retain and motivate qualified personnel could adversely affect our business and growth prospects.

Our success depends heavily on our ability to attract, retain and motivate key personnel, including senior managerial, design and technical personnel. In particular, we rely on the continued services of our executive directors, Mr. Ding and Mr. Ding Peiyuan, as well as our senior management members, including but not limited to Ms. Ding Lizhen and Mr. Gu Jishi. Mr. Ding, Mr. Ding Peiyuan and Ms. Ding Lizhen have been with us since the inception of our business. We have not subscribed for key-man life or similar insurance covering our key executives, design and technical personnel. If we lose the services of any of these key employees and cannot replace them with personnel with comparable experience and expertise in a timely manner, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We may fail to execute our growth strategy or maintain our growth rate.

We have achieved significant growth in turnover in recent years. Our turnover increased from RMB327.0 million for the year ended December 31, 2010 to RMB392.4 million for the year ended December 31, 2011 and further to RMB520.0 million for the year ended December 31, 2012, and our turnover increased from RMB176.5 million for the six months ended June 30, 2012 to RMB253.2 million for the six months ended June 30, 2013. However, our rapid growth will impose significant additional responsibilities on our management, including the need to raise working capital, to identify, recruit, train and integrate additional employees, to oversee the coordination and cooperation with our OEMs and distributors. In addition, rapid and significant growth may place a strain on our administrative and operational infrastructure, in particular on our internal controls and financial reporting processes and systems. As our operations expand, we expect that additional resources will be required to manage new relationships with additional distributors and department store chains, as well as with other third parties, including OEMs, raw material suppliers, equipment providers, consultants and others. Our ability to manage our working capital, operations and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. Furthermore, as part of our expansion plan, we have entered into a property pre-purchase agreement with Shanghai Fashitu Investment Group Co., Ltd. (上海法詩圖投資集團有限公司) in June 2013 (the "Pre-purchase Agreement") to purchase an office building (the "Shanghai Office") to which we plan to relocate our design and research and development center. According to the Pre-purchase Agreement, Shanghai Fashitu Investment Group Co., Ltd. (上海法詩圖投資集團有限公司) is scheduled to enter into a formal purchase agreement with us by October 2014. In the event that we are unable to complete the transaction for our Shanghai Office, there is no assurance that we will be able to find another property for our new design and research and development center, which in turn will adversely affect our expansion plan. If we are unable to effectively execute our growth strategy or manage our growth, it may be difficult for us to execute our business strategies. A decrease in the market demand for our products and the corresponding decline in the sales of our products could materially and adversely affect our business, financial condition, results of operations and prospects.

Our sales are subject to seasonality, which could cause our results of operations to fluctuate.

Our industry has historically experienced seasonality, which we expect to continue. See "Financial Information — Factors Affecting Our Results of Operations — Seasonality". In addition, extreme or unusual weather conditions, such as extended periods of warm weather during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with such unseasonable conditions and may thus affect our sales. Our quarterly operating results may also fluctuate from period to period based on changes in consumer demand and the seasonality of consumer spending on children's apparel products. As a result, any comparison of our sales and operating results between different periods within a single financial year or between different periods in different financial years is not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate due to seasonality.

Some of our distributors have, in the past, failed to pay us for their purchases in a timely manner. If such failure to make timely payment continues in the future, it could materially and adversely affect our business, financial condition, results of operations and prospects.

Our distributors place advance purchase orders at our sales fairs and we typically require them to pay in full for our products upon delivery. However, we may not be able to receive payment for our products on time if our distributors encounter financial and operating difficulties. We grant credit limits of up to 90 days. Our trade receivables and average turnover days of our trade receivables increased significantly from RMB49.0 million and 30 days as of December 31, 2010 to RMB115.6 million and 77 days as of December 31, 2011 and further to RMB201.8 million and 111 days as of December 31, 2012. As of June 30, 2013, our trade receivables and average turnover days of our receivables were RMB157.6 million and 128 days, respectively. We cannot assure you that our distributors will pay us for their purchases in timely manner or at all in the future. If our distributors fail to pay us in a timely manner, our financial condition and results of operations may be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights, which could harm our brand and our business.

We believe our trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include our trademarks for the "redkids" brand. Although we rely on the registration of trademarks and applicable laws to protect our intellectual property rights, these measures may not be sufficient to prevent misappropriation of our intellectual property rights. There is no assurance that third parties will not infringe on our intellectual property rights. Our efforts to enforce or defend our intellectual property rights may not be adequate, may require significant attention from our management and may be costly. We may have to initiate legal proceedings to defend the ownership of our trademarks or brand against any infringement by third parties, which may be costly and time-consuming, and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome. Furthermore, the outcome of any legal actions to protect our intellectual property rights may be uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be adversely affected.

In addition, as permitted by the PRC laws, other parties may register trademarks which may look similar to our registered trademarks under certain circumstances, which may cause confusion among consumers. We may not be able to prevent other parties from using trademarks that are similar to ours and our consumers may confuse our products with lower quality third-party products with similar trademarks. In such case, the goodwill and value of our trademarks and the public perception of our brand and our image may be adversely affected by the inferior quality of the products and services provided by third parties who use trademarks similar to ours. A negative perception of our brand and image could have a material and adverse effect on our sales, and therefore on our business, financial condition, results of operations and prospects.

Our business could be adversely affected by claims from third parties for possible infringement of their intellectual property rights.

We may face claims from time to time that our products infringe upon the intellectual property rights of third parties, including our competitors. Defending such claims may require significant attention from our management and may be costly. If any legal proceeding against us for infringement of intellectual property rights is successful, we may be ordered to be responsible for the losses incurred by the claiming parties due to our infringement of their intellectual property rights. Further, if we are unable to obtain a license for the usage of such intellectual property rights on acceptable terms or at all or we are unable to design around such intellectual property rights, we may be prohibited from manufacturing or selling products which are dependent on the usage of such intellectual property rights. In such cases, we may experience a material and adverse effect on our business and reputation, and these types of proceedings and their consequences could divert our management's attention from our business, all of which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our ability to obtain additional financing may be limited, which could delay or prevent the achievement of our business goals.

During the Track Record Period, we financed our working capital and capital expenditure needs primarily through capital contributions by shareholders and cash from operating and financing activities. We expect our working capital and capital expenditure needs to increase in the future as we continue to expand and enhance our business, including our design, research and development capabilities and establishing our self-operated retail outlets. Our ability to raise additional capital will depend on the success of our current business and the successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. We may not be successful in raising the required capital at a reasonable cost and at the required times or at all. Further, equity financings may have a dilutive effect on our Shareholders. If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, our operations and development programs may be materially and adversely impacted, with similar effects on our business, financial condition, results of operations and prospects.

Our products are subject to relevant quality and safety standards. Any failure to adhere to quality and safety standards in the relevant jurisdictions may adversely affect our business, financial condition, results of operations and prospects.

We are subject to the quality and safety requirements and standards in the jurisdictions where we operate. During the Track Record Period, there were two incidents with regard to three of our products. In the first incident, a particular batch of our deep-blue children's jeans ("Product One") was found to have aromatic amine levels that exceeded the national standard by 271 mg/kg or approximately 14 times. To the best of our knowledge, daily exposure to aromatic amine and ammonia could cause adverse effects to an individual's health, including the development of cancer. In the second incident, a particular batch of our boy's knitted jacket and a batch of our boy's hoodie did not pass certain national quality standards. Our maximum potential liability under the two incidents in terms of fines from the relevant government authorities is RMB5.4 million, and the reputation of our products may suffer as a result of these two incidents.

In addition, we may face civil lawsuits brought against us by end customers who believe they have suffered adverse effects on their health from the usage of the particular batch of Product One involved in a quality control incident. Under the PRC Product Quality Law (產品質量法) and the PRC Tort Law (侵權責任法), we are liable for medical and other expenses resulting from adverse effects on our end consumers' health caused by our products. We cannot quantify our potential maximum liability relating to the quality control incident as of the Latest Practicable Date because our maximum liability relating to this quality control incident will be determined by (i) the number of claims and lawsuits brought against us and (ii) the amount of damage claimed under each claim and/or lawsuit. Our business, financial condition, results of operations and prospects may be adversely affected by the liabilities arising from the potential lawsuits. For the views from our Directors and our PRC legal adviser and for confirmations from two nationally recognized inspection agencies in respect to the first incident, please refer to "Business — Quality Control — Quality Control Incidents — First Quality Control Incident" of this prospectus. We have adopted and will continue to adopt stringent quality control measures so that all our products will be in compliance with the relevant quality and safety requirements and standards under PRC laws and regulations. If we fail to adhere to relevant quality and safety requirements and standards, our reputation may be harmed, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be exposed to product liability, property damage or personal injury claims, which may adversely affect our reputation and business.

We may be exposed to product liability claims and we may, as a result, have to expend significant financial and managerial resources to defend against such claims. Such product liability claim risks may increase as legal concepts in product liability begin to develop and mature in the PRC. Regardless of the merits of a claim or dispute, we may expend significant efforts and costs to defend against such claims and may suffer material damage to our reputation. If we lose such a case, we may be subject to monetary damages. We may also be subject to government investigations, which may lead to fines and sanctions against us and result in negative public perception of our brand. Any of the above events could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be required to make additional contributions of Mandatory Social Insurance and housing provident fund under PRC national laws and regulations.

Under the relevant PRC laws and regulations, we are required to contribute to pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance (the "Mandatory Social Insurance") and housing provident funds for our employees. During the Track Record Period, we did not make all contributions to the Mandatory Social Insurance and housing provident funds for some of our employees located in the PRC.

For our unpaid contribution to the Mandatory Social Insurance accrued prior to the effectiveness of The Social Insurance Law of the PRC (中華人民共和國社會保險法) on July 1, 2011, the relevant authorities may require us to pay the outstanding amount within a prescribed time limit. If we fail to make the overdue contribution within such time limit, an additional late payment penalty at a daily rate of 0.2% of the outstanding amount may be imposed. For our unpaid contribution to the social insurance funds accrued after July 1, 2011, the relevant authorities may require us to pay the outstanding amount within the prescribed time limit with an additional late payment penalty at a daily rate of 0.05% from the due date. If we fail to make the overdue contribution within such time limit, the relevant authorities may also impose a fine on us equal to an amount between 100% and 300% of the total amount of the overdue contribution. For our unpaid housing provident fund contributions, the relevant authorities may demand that we pay our unpaid housing provident fund contributions within a prescribed time limit. If we fail to comply, the relevant authorities may apply for an order for payment from the relevant PRC court.

We cannot assure you that we will not be subject to any order to rectify non-compliance in the future. Nor can we assure you that there are no or will not be any employee complaints regarding the payment of the Mandatory Social Insurance and housing provident funds against us or that we will not receive any claims with respect to the Mandatory Social Insurance and housing provident fund contributions under national laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

Certain properties leased by us are subject to irregularities.

We leased two properties in Shanghai which we use as our design and research and development center and office space. We have not registered our lease contracts with the relevant PRC authorities. For one of the properties, we could not register our lease contract because our landlord could not provide us with the relevant building ownership certificates with respect to such structures. According to our PRC legal adviser, Jingtian & Gongcheng, the relevant PRC authorities may require us to apply for such registration. If we fail to do so, we may be liable for fine of not less than RMB1,000 and not more than RMB10,000 per incident. According to our PRC legal adviser, Jingtian & Gongcheng, our maximum potential liabilities arising from such lease registration irregularities amount to RMB20,000.

Our future results may be adversely affected by expenses incurred in connection with share-based payments.

In the course of the Corporate Reorganization, Think Wise transferred certain Shares to SHKSF in settlement of service fees payable to it for the corporate advisory and financing consultancy services provided by it to the Group. These Shares constituted share-based payment and are accounted for as an expense of our Company. The fair value of these services in connection with the provision of corporate advisory and financial consulting services to the Group amounted to approximately RMB1.9 million and has been recognized as an expense in the consolidated statement of comprehensive income for the six months ended June 30, 2013.

In addition, we have granted certain options pursuant to the Pre-IPO Share Option Scheme. The fair value of the options granted under the Pre-IPO Share Option Scheme will be recognized as an expense in profit or loss during the vesting period of such options. The costs of the share options granted under the Pre-IPO Share Option Scheme may adversely affect our financial condition and results of operations in the future years and it is expected that a sum in the amount of not more than RMB200,000 will be recognized as an expense in the consolidated statement of comprehensive income for the year ending December 31, 2013 of our Company.

RISK RELATING TO CONDUCTING BUSINESS IN THE PRC

A determination of overall market conditions and credit availability from lending institutions in the PRC may significantly affect our business and financial performance.

Our ability to successfully expand our business operations in the PRC depends on the overall macroeconomic conditions and other market conditions of the PRC and on the credit availability from lending institutions. Concerned with inflation and over-heating of the PRC economy, the PRC government has taken a series of measures in recent years, including continuously increasing the deposit reserve ratio, as a result of which commercial banks in the PRC have increased interest rates, reducing credit availability in the PRC. Stricter lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies and may also affect our distributors' ability to obtain external financing and the spending habits of our consumers. We cannot assure you that the PRC government will not implement any additional measures to tighten lending standards or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

The political, economic and social conditions in the PRC are experiencing changes and reforms, which may adversely affect our business, financial condition, results of operations and prospects.

For the past three decades, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy. Although we believe these economic reforms and measures will have a positive effect on the PRC's overall and long-term development, the resulting changes may also have any adverse effect on our current or future business, financial condition, results of operations and prospects. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development and the allocation of natural resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the current direction of reform will continue.

Demand for our products and our business, financial condition, results of operations and prospects may be adversely affected by the following factors:

- political instability or changes in social conditions in the PRC;
- changes in laws, regulations and administrative directives;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- reduction in tariff protection and other import and export restrictions.

These factors are affected by a number of variables which are beyond our control.

Restrictions on foreign exchange and payments of dividends may limit our operating subsidiary's ability to remit payments to us.

At present, the Renminbi is not freely convertible to other currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China which have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions, including repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments, must be approved by or registered with SAFE. Under our current structure, our source of funds primarily consists of dividend payments from our subsidiary in the PRC. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of China. If future changes in relevant regulations were to place restrictions on the ability of our subsidiary to remit dividend payments to us, our liquidity and ability to satisfy our third-party payment obligations and our ability to distribute dividends in respect of our Shares could be materially and adversely affected.

We may be subject to PRC income tax for our worldwide income if we are recognized as PRC tax resident.

Under the EIT Law, if an enterprise incorporated outside the PRC has its "actual management" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its worldwide income. Since most of our management is currently located in the PRC, we may be subject to PRC income tax at the rate of 25% on our worldwide income. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT further specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises which are controlled by PRC enterprises, but as of the Latest Practicable Date, there had been no official tax rules promulgated regarding the determination of the ''de facto management bodies'' for foreign enterprises which are not controlled by PRC enterprises like ourselves. However, as substantially all of our management is based in China and may remain in China in the future, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. If we are deemed as a PRC resident enterprise, we will be subject to PRC enterprise income tax at the rate of 25% on our worldwide income which may have a material and adverse effect on our business, financial condition, results of operation and prospects.

According to the EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprise are exempted from enterprise income tax. The EIT Law and its implementation rules are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to resident enterprises. In that case, dividend income we receive from our PRC subsidiaries may be exempt from PRC enterprise income tax. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that we are eligible for PRC enterprise income tax exemptions or reductions.

Dividends from our PRC subsidiaries and dividends on our shares and gains on the sales of our shares may be subject to PRC withholding taxes.

We are a Cayman Islands holding company and all of our income is ultimately derived from dividends that are paid by our subsidiary in the PRC. Under the EIT Law and its implementation rules, dividends payable to foreign enterprise investors which are non-resident enterprises that do not have an establishment or place of business in the PRC or that have an establishment or place of business but the relevant income is not effectively connected with the establishment or place are subject to a 10% withholding tax, which may be reduced if a foreign enterprise investor is eligible for the benefits of a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries of which they directly hold at least 25% equity interests. As dividends from our PRC subsidiary will be paid to us through Red Kids HK, our Hong Kong subsidiary that owns 100% equity interests in our PRC subsidiary, those dividends may be subject to a withholding tax at the rate of 5%. However, on October 27, 2009, the SAT promulgated the Circular on How to Understand and Recognize the "Beneficial Owner" in Tax Treaties, or Circular 601. Circular 601 clarifies that a beneficial owner is a person having actual operations and this person could be an individual, a company or any other entity. Circular 601 expressly excludes a "conduit company" that is established for the purposes of tax avoidance and dividend transfers and is not engaged in actual operations such as manufacturing, sales and management from being a beneficial owner. It is still unclear how Circular 601 is being implemented in practice by the SAT or its local counterparts. If Red Kids HK is not deemed to be a beneficial owner of Red Kids China, those dividends may be subject to withholding tax at the rate of 10%, instead of 5%.

Moreover, under the EIT Law and its implementation rules, as discussed above, we may in the future be treated as a PRC tax resident enterprise by the PRC taxation authorities. In that case, dividends on our Shares and capital gains from sales of our Shares realized by foreign shareholders may be regarded as income from "sources within the PRC" and may be subject to a 10% withholding tax, subject to any reduction by an applicable tax treaty. If foreign shareholders are required to pay PRC withholding tax on dividends on our Shares or capital gains from any sales of our Shares, the value of the investment in our Shares may be materially and adversely affected.

The PRC legal system has inherent uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could limit the legal protections available to investors.

Substantially all of our operations are conducted in the PRC. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be cited as reference and have almost no precedential value. Since 1979, the PRC government has been developing a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action investors may take against us in the PRC. In addition, we cannot predict future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no prior public market for our shares and an active trading market for our shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Bookrunners on behalf of the Underwriter(s), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which our Shares will be traded.

The liquidity and market prices of our Shares following this Global Offering may be volatile. The price at which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of and the prospects for us and the industry in which we compete;
- an assessment of our management, our past and present operations and the prospects for our business;
- timing of our future revenue and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the children's product industry.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face future dilution as a result of future financings.

Potential investors will pay a price per Share that substantially exceeds the per Share value of our net tangible assets and will therefore experience immediate dilution when potential investors purchase the Offer Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

We believe that our current cash and cash equivalents, anticipated cash flows from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent prior to the payment of dividends;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flows to fund capital expenditures, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for or reacting to changes in our business and our industry.

Dividends paid in the past may not be indicative of the amounts of future dividend payments or our future dividend policy.

Historical dividend distributions by our subsidiaries are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law as well as (where required) the approval of Shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC, which are subject to restrictions described in the paragraphs headed "Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes" in this section. See "Financial Information — Dividend Policy" in this prospectus.

Sales of substantial amounts of our Shares in the public market after the Global Offering could adversely affect the prevailing market price of our offer Shares.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering or the perception that these sales could occur could adversely affect the market price of our Shares. There will be 800,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option and that no options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme were exercised upon the Listing. We and certain of our Shareholders, subject to certain exceptions, have agreed to a lock-up arrangement with the Underwriters until six months after the Listing Date. Shares which are not subject to a lock-up arrangement represent approximately 20% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option and that no options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme were exercised upon the Listing) and will be freely tradable immediately following the Global Offering.

Forward-looking information included in this prospectus may involve risks.

Due to the direct or indirect influence of the risks, uncertainties and assumptions detailed in this section, our forward-looking events and prospective development discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

We cannot guarantee the accuracy of certain facts, forecasts and other statistics with respect to the PRC, the PRC and global economy, and the PRC and global children's product industry contained in this prospectus.

Certain facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC and global economy, individual markets within the PRC and the PRC and global children's product industry have been derived from official government publications and we can guarantee neither the quality nor the reliability of such source materials. We believe that the sources of this information are appropriate sources for such information and 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 fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or any of the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. In all cases, investors should declare how much weight or importance they should attach to or place on such facts, forecasts or statistics.