
HISTORY AND CORPORATE STRUCTURE

IMPORTANT MILESTONES

The following illustrates our major business development milestones and achievements:

<u>Year</u>	<u>Event</u>
2000	Red Kids Light Textile Development Co., Ltd.* (紅孩兒(福建)輕紡發展有限公司) was established in January 2000
2005	We were recognized as “China Famous Brand of Export To Be Developed Emphatically” (重點培育和發展—中國出口名牌) for 2005 and 2006 by MOFCOM in January 2005
2008	Red Kids Light Textile Development Co., Ltd. (紅孩兒(福建)輕紡發展有限公司) changed its name to Red Kids China in January 2008
2009	Our “redkids” brand was recognized as “Fujian Province Famous Brand” (福建省著名商標) by Administration for Industry and Commerce of Fujian province (福建省工商行政管理局) in December 2009
2010	We were recognized as “China Fashionable Product Release Base for Children’s Garments” (中國童裝時尚新品發佈基地) by China Fashion & Color Association (中國流行色協會) in August 2010
2013	Miko Shanghai was incorporated in June 2013 We were recognized as “Excellent Enterprise for Trustworthy Quality in China” (全國質量誠信優秀企業) by China Quality Inspection Association (中國質量檢驗協會) in May 2013 We were recognized as “Top Ten Brands for Children’s Apparel in China” (中國十大童裝品牌) by China National Garment Association (中國服裝協會)

OUR HISTORY

History of our PRC Subsidiaries

Introduction

Our history can be traced back to January 2000 when Red Kids Light Textile Development Co., Ltd.* (紅孩兒(福建)輕紡發展有限公司) (“Red Kids Light Textile”) was first established in Quanzhou, Fujian by Red Kids Group (Hong Kong) Limited (紅孩兒集團(香港)有限公司) (“Red Kids Group HK”), which was then 95% owned by Mr. Ding and 5% owned by Mr. Lau Hoi Ming (劉海明). Red Kids Light Textile has primarily been engaged in the business of manufacturing and sales of children’s apparel and remained as our major operating subsidiary since its establishment. Red Kids Light Textile changed its name to Red Kids China in January 2008. In order to better manage our self-operated retail outlets in the PRC, we established another subsidiary in the PRC, Miko Shanghai, in June 2013.

A brief summary of the development of each of our subsidiaries is set out below:

Red Kids China

Red Kids China was established as a WFOE on January 20, 2000 under the initial name of Red Kids Light Textile with an initial total investment amount of HK\$10 million and an initial registered capital of HK\$8 million, to engage in the business of manufacturing of textile materials including mixed spin, textile products, garments and baby diapers. At the time of its establishment, Red Kids China was wholly-owned by Red Kids Group HK, which was then 95% owned by Mr. Ding and 5% owned by Mr. Lau Hoi Ming. Mr. Lau Hoi Ming is the husband of Ms. Ting Lai Yan (丁麗仁), an elder sister of Mr. Ding. At the time, Mr. Ding considered that, by

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introducing Mr. Lau Hoi Ming, a Hong Kong resident, to act as a minority shareholder of Red Kids Group HK would be more convenient and efficient to manage the affairs of Red Kids Group HK in Hong Kong. Notwithstanding being named as a 5% minority shareholder of Red Kids Group HK, Mr. Lau Hoi Ming did not make any contribution to the capital of Red Kids Group HK or Red Kids Light Textile and the initial capital of Red Kids Group HK and Red Kids Light Textile was provided by Mr. Ding from his personal resources.

Pursuant to a share transfer agreement dated December 1, 2004 entered into between Red Kids Group HK and Yuen Hung, a company incorporated in Hong Kong and then beneficially owned by Mr. Ding Mingxiong (丁銘雄) at the relevant time, a business contact and a personal friend of Mr. Ding, Red Kids Group HK disposed 100% equity interest in Red Kids Light Textile to Yuen Hung for a total consideration of HK\$8 million, which was equal to the then paid up registered capital of Red Kids Light Textile. Due to inexperience of Mr. Ding and Mr. Lau Hoi Ming, the directors of Red Kids Group HK at the relevant time, in regulatory compliance requirements of a Hong Kong company, Red Kids Group HK had not prepared or filed annual returns with the Registrar of Companies of Hong Kong (the “Registrar of Companies”) since its incorporation, resulting in the Registrar of Companies directing the dissolution of Red Kids Group HK on June 3, 2005. In around late 2004, upon realizing the regulatory irregularities of Red Kids Group HK, in order to protect the underlying investments in Red Kids Light Textile, Mr. Ding directed Red Kids Group HK to transfer its equity interest in Red Kids Light Textile to Yuen Hung, which was owned by Mr. Ding Mingxiong. Due to Mr. Ding’s personal friendship with Mr. Ding Mingxiong, it was the consensus agreed between Mr. Ding Mingxiong and Mr. Ding that: (i) Mr. Ding Mingxiong, through Yuen Hung, will only act as the registered shareholder of Red Kids Light Textile, and any shareholder’s rights of Red Kids Light Textile by Yuen Hung shall only be exercised after consultation with Mr. Ding; (ii) Mr. Ding Mingxiong and Yuen Hung shall not be involved in the daily operations of Red Kids Light Textile; and (iii) after Mr. Ding has arranged to set up another Hong Kong company to act as the shareholder of Red Kids Light Textile, Mr. Ding Mingxiong shall procure Yuen Hung to transfer the equity interest in Red Kids Light Textile at the direction of Mr. Ding.

Accordingly, after Red Kids Group (Hong Kong) Limited (紅孩兒集團(香港)有限公司) (“Red Kids HK”), a company which adopted the same corporate name as previously used by Red Kids Group HK (*Note*), was incorporated on July 29, 2005, pursuant to another share transfer agreement dated August 1, 2005 entered into between Yuen Hung and Red Kids HK, Yuen Hung transferred the 100% equity interest in Red Kids Light Textile to Red Kids HK for a total consideration of HK\$8 million, which was equal to the then paid up registered capital of Red Kids Light Textile. On August 3, 2005, Mr. Ding and Mr. Ding Peiyuan subscribed for 70% and 30% of the issued share capital of Red Kids HK, and they became shareholders of Red Kids HK, respectively. Red Kids Light Textile did not apply for approval of the above-mentioned transfers with Bureau of Foreign Trade and Economic Cooperation of Quanzhou Economic Technology Development Zone* (泉州經濟技術開發區對外貿易經濟合作局) (“Quanzhou FTEC”) at the relevant time due to unfamiliarity with relevant regulatory requirements in relation to such transfers. Upon being aware of our failure to apply for relevant approval of the abovementioned transfers within the statutory time limit required by applicable laws and regulations, we submitted the relevant application documents to Quanzhou FTEC in November 2010. Pursuant to an approval document numbered Min Wai Jing Mao Zi [2010] No. 459 (閩外經貿資[2010]459號) dated December 16, 2010, as well as another approval document numbered Min Wai Jing Mao Zi [2010] No. 464 (閩外經貿資[2010]464) dated

Note: After the dissolution of Red Kids Group HK, its corporate name became available to use by any other companies incorporated in Hong Kong.

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December 17, 2010, Fujian Provincial Department of Foreign Trade & Economic Cooperation (福建省對外貿易經濟合作廳) (“Fujian FTEC”) ratified the said two transfers through belated standard approval procedures for these transfers, which were completed subsequently. In July 2013, Quanzhou FTEC issued a written confirmation that these transfers have been approved by Fujian FTEC and such transfers were legal and valid. In addition, our PRC legal advisers, Jingtian & Gongcheng, confirmed that Fujian FTEC was the competent authority having appropriate jurisdiction to ratify these two transfers, as (i) according to the Circular of the Ministry of Commerce on Delegating Approval Authority over Foreign Investment to Local Counterparts (商務部關於下放外商投資審批權限有關問題的通知), the competent approval authorities for the establishment and alteration of foreign-invested enterprises which engage in business in the “encouraged” and “permitted” categories under the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) with total investment less than US\$300 million shall be the competent commerce authorities at provincial level, and (ii) Red Kids China, as a foreign-invested enterprise, was engaged in business under the “permitted” category and its total investment was less than US\$300 million at the relevant time. Our PRC legal adviser, Jingtian & Gongcheng, further confirmed that the PRC laws and regulations do not stipulate specified penalty for delay in obtaining approval for the abovementioned transfers, and that Red Kids China will not be subject to any penalty by the relevant authorities with regard to the same.

Pursuant to a board resolution of Red Kids Light Textile dated November 30, 2007, the directors of Red Kids Light Textile resolved to change its name to Red Kids China, increase both its total investment and registered capital from HK\$10 million and HK\$8 million, respectively, to HK\$50 million, and change its scope of business to manufacturing of garment, shoes and hats, socks, suitcases and bags, stationery, wholesale and retail of garment, shoes and hats, socks, suitcases and bags, stationery (without shops). Red Kids Light Textile obtained a new business licence reflecting the above changes dated January 9, 2008 and its name change into Red Kids China was effective on that date. Pursuant to another board resolution of Red Kids China dated May 23, 2008, the board of Red Kids China resolved to change its scope of business to manufacturing of garment, shoes and hats, socks, suitcases and bags, stationery, wholesale and retail of garment, shoes and hats, socks, suitcases and bags, stationery. The above change was evidenced by the new business licence of Red Kids China dated October 22, 2008. On October 18, 2010 and December 23, 2010, the board of Red Kids China further resolved to increase its total investment amount to HK\$100 million and increase its registered capital to HK\$70 million, respectively. According to a capital verification report issued by an independent third party auditor, as of January 5, 2011, 100% of the increased registered capital of Red Kids China has been paid up. On March 21, 2013, the board of Red Kids China further resolved to increase its total investment amount to HK\$200 million and increase its registered capital to HK\$140 million, respectively. According to a capital verification report issued by an independent third party auditor, as of April 26, 2013, 100% of the increased registered capital of Red Kids China has been paid up. On July 15, 2013, the board of Red Kids China further resolved to increase its total investment amount to HK\$220 million and increase its registered capital to HK\$160 million, respectively. According to a capital verification report issued by an independent third party auditor, 100% of the increased registered capital of Red Kids China has been paid up in August 2013.

Miko Shanghai

Miko Shanghai was established on June 24, 2013 as a WFOE with an initial total investment of HK\$30 million and an initial registered capital of HK\$20 million, to engage in the business of management of self-operated retail outlets. At the time of its establishment, Miko Shanghai was wholly-owned by Red Kids HK, which was in turn wholly-owned by our Company. According to a

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capital verification report issued by an independent third party auditor, 100% of the registered capital of Miko Shanghai has been paid up in July 2013.

History of our Company and our other Subsidiaries

Our Company

Our Company was incorporated in the Cayman Islands on March 15, 2013 as a limited liability company with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. It is an investment holding company. At the time of incorporation, Codan Trust Company (Cayman) Limited subscribed for one Share of the Company, representing 100% of its issued share capital, at par value. On the same date, Codan Trust Company (Cayman) Limited transferred its one Share in our Company to Think Wise at par value, and Think Wise subscribed for 99 additional Shares at par value.

For details of the changes in the shareholding structure of our Company since incorporation, see the paragraph headed “Corporate Reorganization” in this section below.

Obvious Cheer

Obvious Cheer was incorporated in the BVI on January 2, 2013 as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. It is an investment holding company. On March 22, 2013, our Company subscribed for 1 share of US\$1.0, representing 100% of the issued share capital of Obvious Cheer.

Red Kids HK

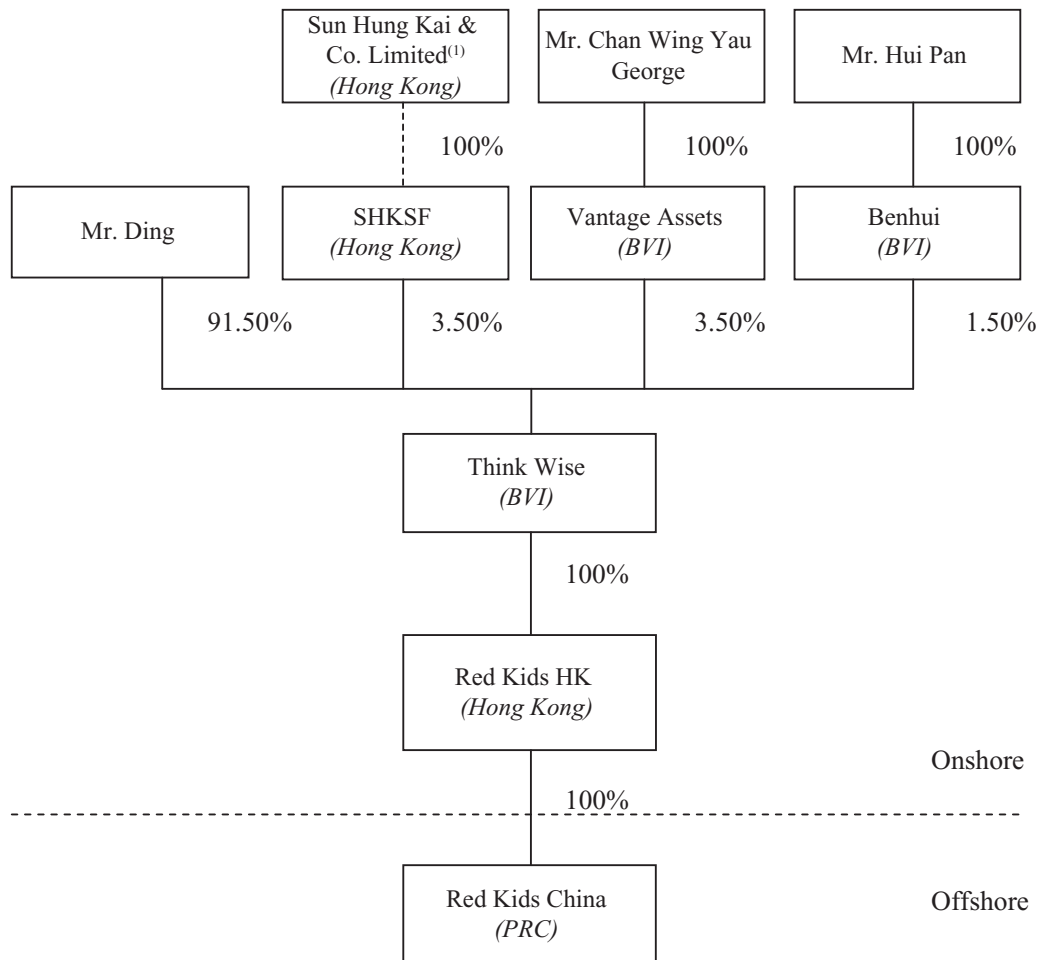
Red Kids HK was incorporated in Hong Kong on July 29, 2005 as a limited liability company with an authorized share capital of HK\$500,000 divided into 100,000 shares of HK\$5.0 each. On August 3, 2005, Mr. Ding and Mr. Ding Peiyuan (a younger brother of Mr. Ding), subscribed for 70,000 shares and 30,000 shares in the capital of Red Kids HK at par value, representing 70% and 30% of its total issued share capital at the time. On August 31, 2005, Mr. Ding transferred his 70% interest in Red Kids HK to Mr. Ding Peiyuan for a nominal consideration of HK\$70,000, agreed between the parties given their close family relationship so that Mr. Ding Peiyuan became 100% registered shareholder of Red Kids HK. At the relevant time, Red Kids Light Textile, which was 100% owned by Red Kids HK, was mainly engaged in the export sales of children’s apparel as Mr. Ding Peiyuan was primarily responsible for export sales, both Mr. Ding and Mr. Ding Peiyuan considered that arranging Mr. Ding Peiyuan to become a 100% shareholder of Red Kids Light Textile would better facilitate Mr. Ding Peiyuan to negotiate with overseas customers of Red Kids Light Textile. On October 5, 2010, Mr. Ding Peiyuan transferred his 100% equity interest in Red Kids HK back to Mr. Ding for a consideration of HK\$500,000, which was equal to the par value of the issued shares of Red Kids HK. Such transfer was effected because at the relevant time, the reason for arranging Mr. Ding Peiyuan as the 100% shareholder of Red Kids China was no longer relevant given that Red Kids China has focused primarily on domestic sales of children’s apparels since 2008. We have incurred initial investment costs for marketing and brand promotion activities in 2008 and 2009, resulting in our Group’s accumulated loss prior to January 1, 2010. The transfer of shares to Mr. Ding was a transaction between shareholders that had no impact on the financial information of Red Kids HK or the basis of preparation of the Accountants’ Report which was prepared as a continuation of Red Kids HK throughout the Track Record Period. On December 8, 2010, Mr. Ding transferred his 100% shares

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in Red Kids HK to Think Wise for a consideration of HK\$500,000, which was equal to the par value of the issued shares of Red Kids HK, in preparation of the investment by SHKSF, Vantage Assets and Benhui. On April 16, 2013, in preparation of the investment by Chance Talent, Think Wise transferred its 100% shares in Red Kids HK to Obvious Cheer, in consideration of Obvious Cheer procuring our Company to issue 9,050 new Shares to Think Wise. As a result, Red Kids HK became a wholly-owned subsidiary of Obvious Cheer.

GROUP STRUCTURE PRIOR TO CORPORATE REORGANIZATION AND THE PRE-IPO INVESTMENTS

The corporate chart below illustrates the beneficial shareholders and subsidiaries of our Group immediately prior to the Corporate Reorganization:



Notes:

(1) Sun Hung Kai & Co. Limited, a company listed on the Stock Exchange (stock code: 86), indirectly controls 100% interest of SHKSF.

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CORPORATE REORGANIZATION

In order to rationalize our organizational structure, our Group underwent the Corporate Reorganization prior to the Listing which involved the following steps:

- (a) Our Company was incorporated in the Cayman Islands on March 15, 2013 with an authorized share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. At the time of incorporation, Codan Trust Company (Cayman) Limited subscribed for one Share of the Company, representing 100% of its issued share capital, at par value. On the same date, Codan Trust Company (Cayman) Limited transferred its one Share in our Company to Think Wise at par value, and Think Wise subscribed for 99 additional Shares at par value. Upon completion of such transfer and subscription of Shares, our Company became wholly-owned by Think Wise.
- (b) Obvious Cheer was incorporated in the BVI on January 2, 2013 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On March 22, 2013, our Company subscribed for one share of Obvious Cheer at par value, and Obvious Cheer became a wholly-owned subsidiary of our Company.
- (c) On April 16, 2013, Obvious Cheer acquired 100% of the issued share capital of Red Kids HK from Think Wise. As consideration, Obvious Cheer procured our Company to issue 9,050 new Shares to Think Wise. Upon completion of such acquisition, Red Kids HK became a wholly-owned subsidiary of Obvious Cheer.
- (d) On April 16, 2013, Think Wise subscribed for 9,050 new Shares of our Company at par value, such that the total number of issued Shares of our Company became 9,150, and our Company remained 100% wholly-owned by Think Wise.
- (e) On April 17, 2013, Mr. Ding acquired 350, 350 and 150 shares of Think Wise from each of SHKSF, Vantage Assets and Benhui, representing 8.5% of the total issued share capital of Think Wise in aggregate. As consideration, Mr. Ding procured our Company to issue 350, 350 and 150 new Shares to each of SHKSF, Vantage Assets and Benhui, representing a total of 8.5% of the total number of issued Shares as enlarged by such issuance. Upon completion of such acquisition and issuance, Think Wise became 100% owned by Mr. Ding, and our Company became held as to 91.5%, 3.5%, 3.5% and 1.5% by each of Think Wise, SHKSF, Vantage Assets and Benhui respectively.
- (f) On April 17, 2013, Think Wise, Chance Talent, Mr. Ding and our Company entered into an investment agreement, pursuant to which, among other things, Chance Talent agreed to subscribe for Exchangeable Notes to be issued by Think Wise.
- (g) On June 17, 2013, Think Wise transferred 165 and 105 Shares of our Company to each of SHKSF and Vantage Assets at par value. The 105 Shares (out of the 165 Shares) transferred to SHKSF and the 105 Shares transferred to Vantage Assets were to give effect to the spirit of the pre-IPO investment agreements and related shareholder agreement entered into between Think Wise and each of them (for further details, please refer to the paragraph headed "Investment by our pre-IPO investors" below). The other 60 Shares transferred by Think Wise to SHKSF was pursuant to a financial consultancy service agreement entered into between Mr. Ding and SHKSF dated January 7, 2013, under which the financial consultancy services fee was agreed to be HK\$6.4 million.

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According to a supplemental agreement dated September 14, 2013 entered into between the same parties formalizing their previous verbal understanding, it was confirmed and agreed that out of the financial consultancy services fee of HK\$6.4 million, HK\$3.2 million, representing 50% of the financial consultancy services fee payable was to be borne by Mr. Ding for financial consultancy services provided to him personally, and HK\$3.2 million, representing the remaining 50% of the financial consultancy services fee payable, was to be borne by our Group for financial consultancy services provided to our Group. Pursuant to the financial consultancy services agreement, SHKSF provided advices to Mr. Ding and the Group on, among other things, the Corporate Reorganization, negotiation of the terms of investment by subsequent pre-IPO investor, introduction of potential investors to our Group, selection of professional advisers in connection with our Group's preparation of application for the Listing and their terms of engagement, and other general advice on strengthening of corporate and financial management of our Group, all of which have been provided during the period between July 2011 and February 2013. The transfer of 60 Shares in our Company in substitution of the financial consultancy services fee of HK\$6.4 million was agreed between Mr. Ding and SHKSF by reference to, among other things, an agreed upon valuation of our Group when the parties reached consensus to use Shares to settle the financial consultancy services fee in January 2013, the opportunity cost for SHKSF of not receiving cash immediately, and the illiquidity of our Shares prior to our successful Listing. In respect of the financial consultancy services provided to Mr. Ding for his own benefit, the fair value of such services was determined based on 30 Shares of approximately RMB2.7 million and these costs were not reflected as a cost of the Group and not reflected in the profit or loss account and any reserve of our Company. In respect of the financial consultancy services provided to the Group in respect of the Listing, the fair value of such services was determined based on the remaining 30 Shares of approximately RMB2.7 million, out of which RMB1.9 million relating to the listing of the existing Shares were recognized as an expense in the six months ended June 30, 2013 and the remaining RMB0.8 million relating to the issue of new Shares upon Listing would be debited against equity upon collection of proceeds from the Global Offering.

Upon completion of such transfers, our Company became held as to 88.8%, 5.15%, 4.55% and 1.5% by each of Think Wise, SHKSF, Vantage Assets and Benhui.

- (h) On March 15, 2013, Opulent Ample was incorporated in the BVI with an authorized and issued share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On May 6, 2013, Mr. Ding Weizhu (丁為祝), the father of Mr. Ding, Ms. Ding Lizhen (丁麗真) and Mr. Ding Peiyuan (丁培源), all executive Directors and Ms. Ting Lai Yan (丁麗仁), subscribed for one share in the capital of Opulent Ample at par value, and Opulent Ample became 100% owned by Mr. Ding Weizhu.

On March 6, 2013, Snowy Wise was incorporated in the BVI with an authorized and issued share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On May 6, 2013, Ms. Ding Lizhen, an elder sister of Mr. Ding and Mr. Ding Peiyuan, subscribed for one share in the capital of Snowy Wise at par value, and Snowy Wise became 100% owned by Ms. Ding Lizhen.

On March 8, 2013, Rightful Style was incorporated in the BVI with an authorized and issued share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On May 6, 2013, Mr. Ding Peiyuan, a younger brother of Mr. Ding and Ms. Ding Lizhen, subscribed for one share in the capital of Rightful Style at par value, and Rightful Style became 100% owned by Mr. Ding Peiyuan.

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On January 2, 2013, Splendid First was incorporated in the BVI with an authorized and issued share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On May 6, 2013, Ms. Ting Lai Yan, an elder sister of Mr. Ding, Ms. Ding Lizhen and Mr. Ding Peiyuan, subscribed for one share in the capital of Splendid First at par value, and Splendid First became 100% owned by Ms. Ting Lai Yan.

On February 15, 2013, Wind Dove was incorporated in the BVI with an authorized and issued share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On May 6, 2013, Ms. Ding Luping (丁璐萍), the sister-in-law of Mr. Ding, subscribed for one share in the capital of Wind Dove at par value, and Wind Dove became 100% owned by Ms. Ding Luping.

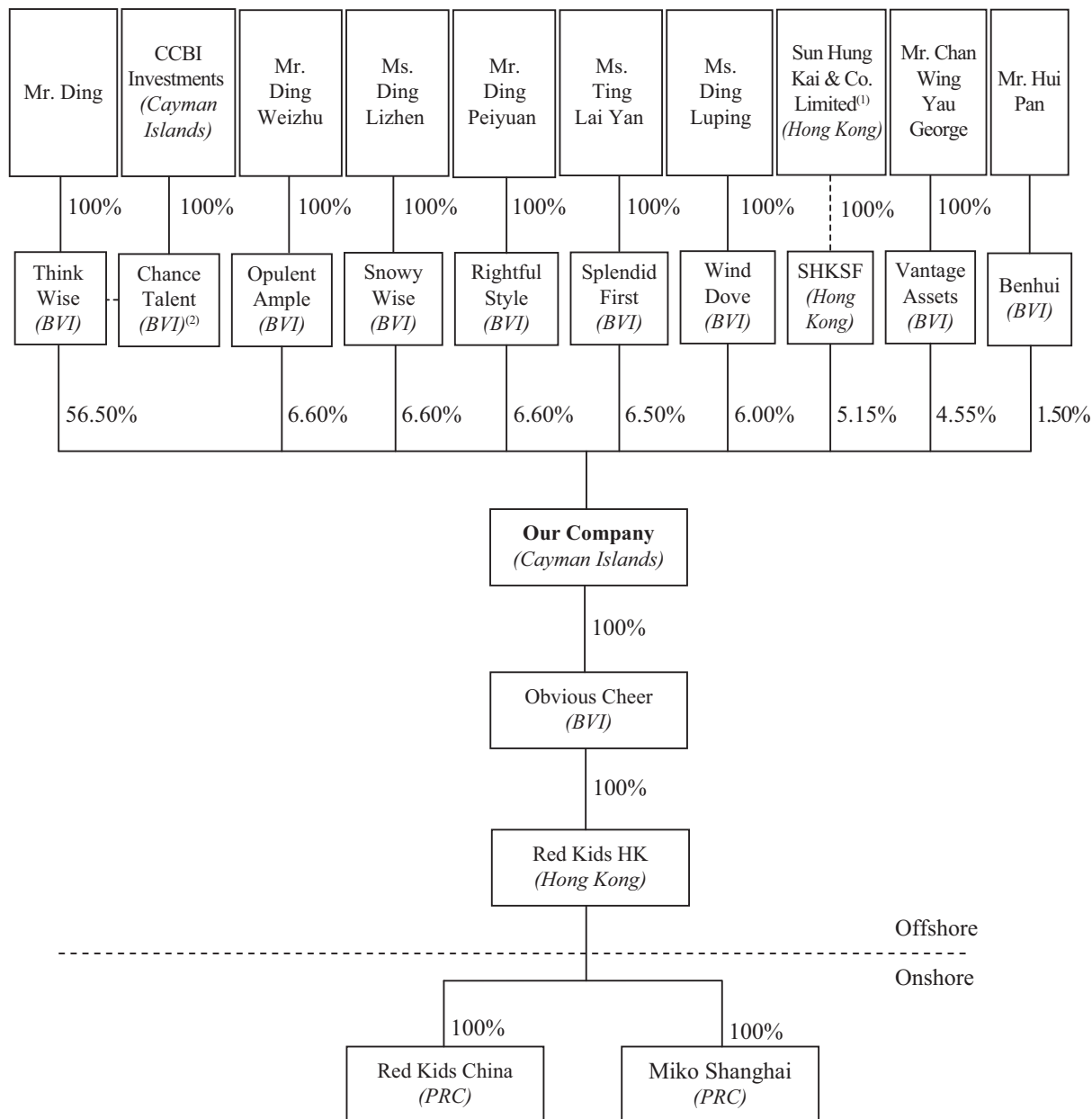
On June 17, 2013, each of Think Wise, SHKSF, Vantage Assets, Benhui, Opulent Ample, Snowy Wise, Rightful Style, Splendid First and Wind Dove subscribed for 556,120, 50,985, 45,045, 14,850, 66,000, 66,000, 66,000, 65,000 and 60,000 Shares in our Company at par value of HK\$5,561.20, HK\$509.85, HK\$450.45, HK\$148.50, HK\$660, HK\$660, HK\$660, HK\$650 and HK\$600. Upon completion of such subscriptions, our Company became held as to 56.50% (565,000 Shares) by Think Wise, 5.15% (51,500 Shares) by SHKSF, 4.55% by Vantage Assets (45,500 Shares), 1.50% (15,000 Shares) by Benhui, 6.60% (66,000 Shares) by Opulent Ample, 6.60% (66,000 Shares) by Snowy Wise, 6.60% (66,000 Shares) by Rightful Style, 6.50% (65,000 Shares) by Splendid First and 6.00% (60,000 Shares) by Wind Dove.

- (i) On June 24, 2013, Miko Shanghai was established in the PRC with a total investment and registered capital of RMB30 million and RMB20 million respectively. It is engaged in the business of management of self-operated retail outlets and is a wholly-owned subsidiary of Red Kids HK.

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GROUP STRUCTURE AFTER CORPORATE REORGANIZATION AND THE PRE-IPO INVESTMENTS

The corporate structure of our Group after the Corporate Reorganization and the pre-IPO investments is set out below:



Notes:

- (1) Sun Hung Kai & Co. Limited, a company listed on the Stock Exchange (stock code: 86), indirectly controls 100% interest of SHKSF.
- (2) Pursuant to an investment agreement dated April 17, 2013, Chance Talent has subscribed for the Exchangeable Notes issued by Think Wise. Upon exercise of the exchange right under the Exchangeable Notes, Chance Talent will be entitled to request Think Wise to transfer certain Shares held by Think Wise to it. For further details of the Exchangeable Notes, please refer to the paragraph headed "Principal terms of the Exchangeable Notes" in this section.

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INVESTMENTS BY OUR PRE-IPO INVESTORS

We have introduced several pre-IPO investors prior to the Listing.

Our pre-IPO investors enjoyed certain special rights as set out in the table below, all of which will be terminated upon the Listing.

A summary of the key particulars of the investment by our pre-IPO investors is set out below:

<u>Name of investor</u>	<u>SHKSF</u>	<u>Vantage Assets</u>	<u>Benhui</u>	<u>Chance Talent</u>
<i>Background of investor</i>	SHKSF is a company incorporated in Hong Kong and is principally engaged in the business of structured financing. SHKSF is an indirect wholly-owned subsidiary of Sun Hung Kai & Co. Limited, a company listed on the Stock Exchange. Prior to making an investment into our Group, SHKSF and its beneficial owner, Sun Hung Kai & Co. Limited (stock code: 86), were independent from our Company and the connected persons of our Company.	Investment holding company incorporated in the BVI and is beneficially owned by Mr. Chan Wing Yau George. Mr. Chan Wing Yau George is an individual investor and a business contact of Mr. Ding. Prior to making an investment into our Group, Vantage Assets and its beneficial owner were independent from our Company and connected persons of our Company.	Investment holding company incorporated in the BVI and is beneficially owned by Mr. Hui Pan. Mr. Hui Pan is an individual investor and a business contact of Mr. Ding. Prior to making an investment into our Group, Benhui and its beneficial owner were independent from our Company and connected persons of our Company.	Chance Talent is a company incorporated in the BVI and is a wholly-owned subsidiary of CCBI Investments. CCBI Investments is an investment company incorporated in the Cayman Islands. The ultimate beneficial owner of CCBI Investments is China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939). Prior to making an investment into our Group, Chance Talent and its beneficial owner were independent from

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<u>Name of investor</u>	<u>SHKSF</u>	<u>Vantage Assets</u>	<u>Benhui</u>	<u>Chance Talent</u>
				our Company and the connected persons of our Company.
<i>Date of relevant agreement</i>	June 29, 2011 (being the date of the investment agreement under which SHKSF first invested into our Group by acquiring shares of Think Wise from Mr. Ding and the date of the shareholders' agreement between Mr. Ding, Think Wise and SHKSF in relation to the regulation of certain rights and obligations of the shareholders of our Group), January 7, 2013 (being the date of the financial consultancy services agreement entered into between Mr. Ding and SHKSF), and April 17, 2013 (being the date of the supplemental agreement to the shareholders agreement dated June 29, 2011 pursuant to which certain terms thereto, including the conditions to a qualified IPO and the circumstances under which SHKSF may	June 29, 2011 (being the date of the investment agreement under which Majestic Treasure Limited ("Majestic Treasure"), which was owned by an Independent Third Party, from which Vantage Assets acquired the shares of Think Wise, first invested into our Group by acquiring shares of Think Wise from Mr. Ding), July 8, 2011 (being the date of the shareholders' agreement between Mr. Ding, Think Wise and Majestic Treasure in relation to the regulation of certain rights and obligations of the shareholders of our Group), December 18, 2012 (being the date of the instrument of transfer signed by Majestic Treasure and Vantage Assets in relation to the transfer of shares in Think Wise) and April 17, 2013 (being the date of	June 30, 2011	April 17, 2013

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<u>Name of investor</u>	<u>SHKSF</u>	<u>Vantage Assets</u>	<u>Benhui</u>	<u>Chance Talent</u>
	exercise the put option was amended) and September 14, 2013 (being the date of the supplemental confirmation letter to the financial consultancy services agreement entered into between Mr. Ding and SHKSF dated January 7, 2013 pursuant to which the parties confirmed, among other things, the details of the services provided by SHKSF to each of Mr. Ding personally and to our Group)	the supplemental agreement to the shareholders agreement dated July 8, 2011 pursuant to which certain terms thereto, including the conditions to a qualified IPO and the circumstances under which Vantage Assets may exercise the put option was amended)		
<i>Consideration</i>	HK\$50,000,000 and provision of certain corporate advisory and financing consultancy services by SHKSF	HK\$50,000,000	HK\$21,428,571	US\$15,000,000
<i>Payment date</i>	June 29, 2011	June 29, 2011	June 30, 2011	April 18, 2013
<i>Basis of determination of consideration</i>	Arm's length negotiations between Mr. Ding and SHKSF, who were parties to the relevant agreement, and determined by reference to the valuation and growth potential of our business as assessed by the parties.	Arm's length negotiations between Mr. Ding and Mr. Chan Wing Yau George, who were beneficial owner to the parties to the relevant agreement, and determined by reference to the valuation and growth potential of our business as assessed by the parties.	Arm's length negotiations between Mr. Ding and Mr. Hui Pan, who were beneficial owner to the parties to the relevant agreement, and determined by reference to the valuation and growth potential of our business as assessed by the parties.	Arm's length negotiations between Think Wise, Mr. Ding, our Company and Chance Talent, who were parties to the relevant agreement, and determined by reference to the valuation and the growth potential of our business as assessed by the parties.

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<u>Name of investor</u>	<u>SHKSF</u>	<u>Vantage Assets</u>	<u>Benhui</u>	<u>Chance Talent</u>
<i>Investment cost per Share</i>	Approximately HK\$1.52. Based on the indicative Offer Price range, representing a discount of approximately 5.00% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 34.48% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.	Approximately HK\$1.72. Based on the indicative Offer Price range, representing a premium of approximately 7.50% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 25.86% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.	Approximately HK\$2.23. Based on the indicative Offer Price range, representing a premium of approximately 39.38% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 3.88% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.	Approximately HK\$0.96 based on the lower end of the stated Offer Price range of HK\$1.60 per Share, and approximately HK\$1.39 based on the upper end of the stated Offer Price range of HK\$2.32 per Share, representing a discount of approximately 40% in both cases.
<i>Use of proceeds</i>	For capital increase of Red Kids China and its' general working capital, which has been fully utilized.	For capital increase of Red Kids China and its' general working capital, which has been fully utilized.	For capital increase of Red Kids China and its' general working capital, which has been fully utilized.	For (i) E-commerce development, product development, sales and marketing, development of new sales channels; (ii) payment of interest or other payables pursuant to the other transaction agreements relating to the investment by Chance Talent; (iii) paying costs and expenses incurred in connection with the Listing; and (iv) injection of capital into other members of our Group.

HISTORY AND CORPORATE STRUCTURE

Name of investor	SHKSF	Vantage Assets	Benhui	Chance Talent
Shareholding in our Company upon Listing (Assuming the Over-allotment Option is not exercised and none of the options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme are exercised)	4.12%	3.64%	1.20%	5.44-12.36%(Note)
Strategic benefits to our Group	Strengthening of our capital and shareholder base, enhancement of corporate governance practices	Strengthening of our capital and shareholder base, enhancement of corporate governance practices	Strengthening of our capital and shareholder base, enhancement of corporate governance practices	Strengthening of our capital and shareholder base, enhancement of corporate governance practices
Special rights	1) Entitlement to share charge: In the event that our Group charge shares of our Group in favor of subsequent pre-IPO investors in connection with future pre-IPO financing, SHKSF shall be entitled to a share charge of our Group in its favor proportional to its shareholding in our Group as against all pre-IPO investors 2) Anti-dilution prior to completion of a qualified IPO: If our Group issue new shares, SHKSF can by notice request us to issue	1) Entitlement to share charge: In the event that our Group charge shares of our Group in favor of subsequent pre-IPO investors in connection with future pre-IPO financing, Vantage Assets shall be entitled to a share charge of our Group in its favor proportional to its shareholding in our Group as against all pre-IPO investors 2) Anti-dilution prior to completion of a qualified IPO: If our Group issue new shares, Vantage Assets can	1) Anti-dilution prior to completion of a qualified IPO: If our Group issue new shares, Benhui can by notice request us to issue new shares or Mr. Ding to transfer shares to it at nominal consideration, so as to maintain its shareholding proportion in our Group The above-mentioned special right enjoyed by Benhui will be terminated upon the Listing.	1) Reserved matters: Without the prior written consent of Chance Talent, Think Wise shall not and shall not permit our Group to effect certain matters, such as the borrowing of money or creation of encumbrance over assets by certain subsidiaries of our Group of significant amount, lending of money to other persons, material acquisitions or disposal of any material assets not in the ordinary

Note: The number of Shares to be transferred to Chance Talent upon exercise by Chance Talent of the exchange rights under the Exchangeable Notes will vary pursuant to the terms of the Exchangeable Notes. For illustration purposes only, adopting the mid-point of the indicative Offer Price range of HK\$1.96 per Share:

- (a) *in the event of the automatic exercise of exchange rights in respect of 44% of the principal amount of the Exchangeable Notes upon completion of the Global Offering, Chance Talent will hold approximately 5.44% Shares upon the Listing; and*
- (b) *in the event that the exchange rights in respect of 100% of the principal amount of the Exchangeable Notes is exercised upon completion of the Global Offering, Chance Talent will hold approximately 12.36% Shares upon the Listing.*

HISTORY AND CORPORATE STRUCTURE

Name of investor	SHKSF	Vantage Assets	Benhui	Chance Talent
	new shares or Mr. Ding to transfer shares to it at nominal consideration, so as to maintain its shareholding proportion in our Group	by notice request us to issue new shares or Mr. Ding to transfer shares to it at nominal consideration, so as to maintain its shareholding proportion in our Group		course of business of our Group, issuance of shares, securities, loan capital or other rights with right of conversion into or exchangeable for shares equity securities of Think Wise or members of our Group, alternation of the rights of holders of the Exchange Note, change of business nature, declaration and payment of dividend, formation of joint venture with other parties, adoption or amendment of employee incentive scheme, disposal of equity interest or assets.
	3) Reserved matters: For as long as SHKSF's shareholding in our Group is not lower than 3.5% (excluding dilution as a result of implementation of any employee share incentive scheme), certain matters, including material acquisitions or mergers, liquidation or deregistration of any member of our Group, initiating any litigation other than in the ordinary course of business of our Group, adoption of employee share incentive scheme, change of the primary scope of business activities of our Group, shall not be effected without the prior written consent of SHKSF.	3) Reserved matters: For as long as Vantage Assets's shareholding in our Group is not lower than 3.5% (excluding dilution as a result of implementation of any employee share incentive scheme), certain matters, including material acquisitions or mergers, liquidation or deregistration of any member of our Group, initiating any litigation other than in the ordinary course of business of our Group, adoption of employee share incentive scheme, change of the primary scope of business activities of our Group, shall not be effected without the prior written consent of Vantage Assets.		2) Board observer: Chance Talent shall be entitled to nominate an observer to our board who shall be entitled to receive all board meeting notices and papers but with no voting right on board meetings.
	4) Board observer: For as long as SHKSF's shareholding in our Group is not lower than 3.5% (excluding dilution as a result of	4) Board observer: For as long as Vantage Assets' shareholding in our Group is not lower than 3.5% (excluding dilution		3) Information rights: Chance Talent shall be entitled to receive unaudited quarterly and annual income statements and cash flow statements of Think Wise and our Group

HISTORY AND CORPORATE STRUCTURE

Name of investor	SHKSF	Vantage Assets	Benhui	Chance Talent
	<p>implementation of any employee share incentive scheme), SHKSF shall be entitled to nominate an observer to our board who shall be entitled to receive all board meeting notices and papers but with no voting right on board meetings</p> <p>5) Consent for transfer of shares by controlling shareholder's transfer: Any transfer by Mr. Ding, his family, persons connected with him or any trust in which he is a beneficiary that would result in their collective shareholding in our Group to fall under 65% shall require the prior consent of SHKSF</p> <p>6) Put option: If our Group cannot achieve a qualified IPO on the Stock Exchange or other internationally renowned stock exchange with a market capitalization of no less than HK\$2,500,000,000 within 36 months from June 29, 2011, SHKSF shall be entitled to request Mr. Ding to purchase all shares held by SHKSF in our Group at a price equal to the investment costs of</p>	<p>as a result of implementation of any employee share incentive scheme), Vantage Assets shall be entitled to nominate an observer to our board who shall be entitled to receive all board meeting notices and papers but with no voting right on board meetings</p> <p>5) Consent for transfer of shares by controlling shareholder's transfer: Any transfer by Mr. Ding, his family, persons connected with him or any trust in which he is a beneficiary that would result in their collective shareholding in our Group to fall under 65% shall require the prior consent of Vantage Assets</p> <p>6) Put option: If our Group cannot achieve a qualified IPO on the Stock Exchange or other internationally renowned stock exchange with a market capitalization of no less than HK\$2,500,000,000 within 36 months from June 29, 2011, Vantage Assets shall be entitled to request Mr. Ding to purchase all shares held by Vantage Assets in our Group</p>		<p>4) Most favored terms: If Think Wise or our Group issue further shares, debt or equity securities, options, bonds, notes or other similar rights to any party other than Think Wise in future on terms more favorable than those under the investment agreements with Chance Talent, Chance Talent shall be entitled to the same more favorable terms</p> <p>All the above-mentioned special rights enjoyed by Chance Talent will be terminated upon the Listing, when all liabilities with respect to the Exchangeable Notes and the other transaction documents in connection with the Exchangeable Notes have been fully released or discharged.</p>

HISTORY AND CORPORATE STRUCTURE

Name of investor	SHKSF	Vantage Assets	Benhui	Chance Talent
	<p>SHKSF multiplied by a fixed rate and the duration of the investment held by SHKSF. Based on the indicative Offer Price range of HK\$1.60 to HK\$2.32 per Share, the expected market capitalization of the Company will be less than HK\$2,500,000,000. Accordingly, SHKSF will be entitled to exercise the put option to request Mr. Ding to acquire Shares held by SHKSF. Pursuant to a waiver letter dated December 27, 2013, SHKSF has waived the requirement for the market capitalization of our Company upon Listing to be not less than HK\$2,500,000,000 provided our Company can complete the Listing on the Stock Exchange on or before January 31, 2014.</p> <p>7) Profit guarantee: If the audited consolidated net profit of our Group for 2012 is less than RMB150,000,000, SHKSF shall be entitled to request Mr. Ding to transfer, upon payment of nominal</p>	<p>at a price equal to the investment costs of Vantage Assets multiplied by a fixed rate and the duration of the investment held by Vantage Assets. Based on the indicative Offer Price range of HK\$1.60 to HK\$2.32 per Share, the expected market capitalization of the Company will be less than HK\$2,500,000,000. Accordingly, Vantage Assets will be entitled to exercise the put option to request Mr. Ding to acquire all the Shares held by Vantage Assets. Pursuant to a waiver letter dated December 27, 2013, Vantage Assets has waived the requirement for the market capitalization of our Company upon Listing to be not less than HK\$2,500,000,000 provided our Company can complete the Listing on the Stock Exchange on or before January 31, 2014.</p> <p>7) Profit guarantee: If the audited consolidated net profit of our Group for 2012 is less than RMB150,000,000, Vantage Assets shall be entitled to</p>		

HISTORY AND CORPORATE STRUCTURE

Name of investor	SHKSF	Vantage Assets	Benhui	Chance Talent
	<p>consideration, additional shares calculated by reference to the shortfall between RMB150,000,000 and the actual audited net profit of our Group. As disclosed in the paragraph headed “Corporate Reorganization” in this section above, Think Wise transferred 105 Shares of our Company to SHKSF in the course of Corporate Reorganization. Think Wise transferred Shares to SHKSF in performance of Mr. Ding’s obligations to transfer additional shares in Think Wise to SHKSF because the parties intended that SHKSF shall acquire Sharers of our Company rather than shares of Think Wise, as our Company will be the entity to be listed on the Main Board of the Stock Exchange under the Listing.</p> <p>All the above-mentioned special rights enjoyed by SHKSF will be terminated upon the Listing.</p>	<p>request Mr. Ding to transfer, upon payment of nominal consideration, additional shares calculated by reference to the shortfall between RMB150,000,000 and the actual audited net profit of our Group. As disclosed in the paragraph headed “Corporate Reorganization” in this section above, Think Wise transferred 105 Shares of our Company to Vantage Assets in the course of Corporate Reorganization. Think Wise transferred Shares to Vantage Assets in performance of Mr. Ding’s obligations to transfer additional shares in Think Wise to Vantage Assets because the parties intended that Vantage Assets shall acquire Sharers of our Company rather than shares of Think Wise, as our Company will be the entity to be listed on the Main Board of the Stock Exchange under the Listing.</p> <p>All the above-mentioned special</p>		

HISTORY AND CORPORATE STRUCTURE

Name of investor	SHKSF	Vantage Assets	Benhui	Chance Talent
		rights enjoyed by Vantage Assets will be terminated upon the Listing.		
<i>Lock-up</i>	Pursuant to the terms of the relevant agreement, and a lock-up undertaking dated December 27, 2013, the Shares held by SHKSF will be required to be locked up for 6 months from the Listing Date.	Pursuant to the terms of the relevant agreement, and a lock-up undertaking dated December 27, 2013, the Shares held by Vantage Assets will be required to be locked up for 6 months from the Listing Date.	The terms of the relevant agreement did not impose any lock-up obligations over the Shares held by Benhui upon the Listing. Pursuant to a lock-up undertaking dated December 27, 2013, Benhui has agreed all Shares held by it will be locked up for 6 months from the Listing Date.	The terms of the relevant agreement did not impose any lock-up obligations over the Shares held by Chance Talent upon the Listing. Chance Talent is expected to provide a lock up undertaking prior to the Listing Date pursuant to which it will undertake that all Shares held by it will be locked up for 6 months from the Listing Date.
<i>Public float</i>	Since the shareholding of SHKSF in our Company upon the Listing is less than 10%, the Shares held by SHKSF would be counted towards part of the public float.	Since the shareholding of Vantage Assets in our Company upon the Listing is less than 10%, the Shares held by Vantage Assets would be counted towards part of the public float.	Since the shareholding of Benhui in our Company upon the Listing is less than 10%, the Shares held by Benhui would be counted towards part of the public float.	In the event Chance Talent only exercise the exchange rights in respect of 44% of the principal amount of the Exchangeable Notes, the shareholding of Chance Talent in our Company upon the Listing will be less than 10%, in such case the Shares held by Chance Talent would be counted towards part of the public float. In the event Chance Talent exercise the exchange rights in respect of 100% of the principal amount of the Exchangeable Notes, the shareholding of Chance Talent in

HISTORY AND CORPORATE STRUCTURE

<u>Name of investor</u>	<u>SHKSF</u>	<u>Vantage Assets</u>	<u>Benhui</u>	<u>Chance Talent</u>
				our Company upon the Listing will be more than 10%, in such case the Shares held by Chance Talent would not be counted towards part of the public float.
<i>Accounting treatment for share-based payment</i>	<p>The Shares transferred by Think Wise to SHKSF in settlement of the service fee payable to SHKSF for the corporate advisory and financing consultancy services provided constituted share-based payment. Accordingly, the fair value of these Shares is estimated and the amount related to the listing of the existing equity of our Company is recognized as an expense in the year ending December 31, 2013. We determined the accounting treatment with reference to IFRS 2 Share-Based Payment and IAS32 Financial Instruments: Presentations.</p>			

HISTORY AND CORPORATE STRUCTURE

<u>Name of Investor</u>	<u>Opulent Ample</u>	<u>Snowy Wise</u>	<u>Rightful Style</u>	<u>Splendid First</u>	<u>Wind Dove</u>
<i>Background of investor</i>	Investment holding company incorporated in the BVI and is beneficially owned by Mr. Ding Weizhu, the father of Mr. Ding	Investment holding company incorporated in the BVI and is beneficially owned by Ms. Ding Lizhen, an elder sister of Mr. Ding	Investment holding company incorporated in the BVI and is beneficially owned by Mr. Ding Peiyuan, an executive Director, who is also a younger brother of Mr. Ding	Investment holding company incorporated in the BVI and is beneficially owned by Ms. Ting Lai Yan, an elder sister of Mr. Ding	Investment holding company incorporated in the BVI and is beneficially owned by Ms. Ding Luping, the sister-in-law of Mr. Ding
<i>Date of relevant agreement</i>	June 17, 2013	June 17, 2013	June 17, 2013	June 17, 2013	June 17, 2013
<i>Consideration</i>	HK\$660	HK\$660	HK\$660	HK\$650	HK\$600
<i>Payment date</i>	June 17, 2013	June 17, 2013	June 17, 2013	June 17, 2013	June 17, 2013
<i>Basis of determination of consideration</i>	Par value of the Shares being subscribed for in the course of the Corporate Reorganization as Mr. Ding, one of our Controlling Shareholders, intended to effect asset distribution arrangements among his family members by facilitating Opulent Ample to become a shareholder of our Company through subscription of Shares at par value	Par value of the Shares being subscribed for in the course of the Corporate Reorganization as Mr. Ding, one of our Controlling Shareholders, intended to effect asset distribution arrangements among his family members by facilitating Snowy Wise to become a shareholder of our Company through subscription of Shares at par value	Par value of the Shares being subscribed for in the course of the Corporate Reorganization as Mr. Ding, one of our Controlling Shareholders, intended to effect asset distribution arrangements among his family members by facilitating Rightful Style to become a shareholder of our Company through subscription of Shares at par value	Par value of the Shares being subscribed for in the course of the Corporate Reorganization as Mr. Ding, one of our Controlling Shareholders, intended to effect asset distribution arrangements among his family members by facilitating Splendid First to become a shareholder of our Company through subscription of Shares at par value	Par value of the Shares being subscribed for in the course of the Corporate Reorganization as Mr. Ding, one of our Controlling Shareholders, intended to effect asset distribution arrangements among his family members by facilitating Wind Dove to become a shareholder of our Company through subscription of Shares at par value

HISTORY AND CORPORATE STRUCTURE

<u>Name of Investor</u>	<u>Opulent Ample</u>	<u>Snowy Wise</u>	<u>Rightful Style</u>	<u>Splendid First</u>	<u>Wind Dove</u>
<i>Investment cost per Share</i>	Approximately HK\$0.000016. Based on the indicative Offer Price range, representing a discount of approximately 99.99% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 99.99% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.	Approximately HK\$0.000016. Based on the indicative Offer Price range, representing a discount of approximately 99.99% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 99.99% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.	Approximately HK\$0.000016. Based on the indicative Offer Price range, representing a discount of approximately 99.99% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 99.99% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.	Approximately HK\$0.000016. Based on the indicative Offer Price range, representing a discount of approximately 99.99% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 99.99% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.	Approximately HK\$0.000016. Based on the indicative Offer Price range, representing a discount of approximately 99.99% to HK\$1.60 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 99.99% to HK\$2.32 per Share, being the upper end of the stated Offer Price range.
<i>Use of proceeds</i>	General working capital of our Group, which has been fully utilized.	General working capital of our Group, which has been fully utilized.	General working capital of our Group, which has been fully utilized.	General working capital of our Group, which has been fully utilized.	General working capital of our Group, which has been fully utilized.
<i>Shareholding in our Company upon Listing (Assuming the Over-allotment Option is not exercised and none of the options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme are exercised)</i>	5.28%	5.28%	5.28%	5.20%	4.80%

HISTORY AND CORPORATE STRUCTURE

<u>Name of Investor</u>	<u>Opulent Ample</u>	<u>Snowy Wise</u>	<u>Rightful Style</u>	<u>Splendid First</u>	<u>Wind Dove</u>
<i>Strategic benefits to our Group</i>	Enlarge our shareholder base.	Enlarge our shareholder base.	Enlarge our shareholder base.	Enlarge our shareholder base.	Enlarge our shareholder base.
<i>Special rights</i>	Nil	Nil	Nil	Nil	Nil
<i>Lock-up</i>	The terms of the relevant agreement did not impose any lock-up obligations over the Shares held by Opulent Ample upon the Listing. Pursuant to a lock-up undertaking dated December 27, 2013, Opulent Ample has agreed all Shares held by it will be locked up for 6 months from the Listing Date.	The terms of the relevant agreement did not impose any lock-up obligations over the Shares held by Snowy Wise upon the Listing. Pursuant to a lock-up undertaking dated December 27, 2013, Snowy Wise has agreed all Shares held by it will be locked up for 6 months from the Listing Date.	The terms of the relevant agreement did not impose any lock-up obligations over the Shares held by Rightful Style upon the Listing. Pursuant to a lock-up undertaking dated December 27, 2013, Rightful Style has agreed all Shares held by it will be locked up for 6 months from the Listing Date.	The terms of the relevant agreement did not impose any lock-up obligations over the Shares held by Splendid First upon the Listing. Pursuant to a lock-up undertaking dated December 27, 2013, Splendid First has agreed all Shares held by it will be locked up for 6 months from the Listing Date.	The terms of the relevant agreement did not impose any lock-up obligations over the Shares held by Wind Dove upon the Listing. Pursuant to a lock-up undertaking dated December 27, 2013, Wind Dove has agreed all Shares held by it will be locked up for 6 months from the Listing Date.
<i>Public Float</i>	Since Opulent Ample is beneficially owned by Mr. Ding Weizhu, a connected person of our Company, the Shares held by it would not be counted towards part of the public float.	Since Snowy Wise is beneficially owned by Ms. Ding Lizhen, a connected person of our Company, the Shares held by it would not be counted towards part of the public float.	Since Rightful Style is beneficially owned by Mr. Ding Peiyuan, a connected person of our Company, the Shares held by it would not be counted towards part of the public float.	Since Splendid First is beneficially owned by Ms. Ting Lai Yan, a connected person of our Company, the Shares held by it would not be counted towards part of the public float.	Since Wind Dove is beneficially owned by Ms. Ding Luping, a connected person of our Company, the Shares held by it would not be counted towards part of the public float.

All of the above pre-IPO investors are holding Shares in our Company except that Chance Talent was investing into our Group by way of subscription of the Exchangeable Notes issued by Think Wise.

HISTORY AND CORPORATE STRUCTURE

PRINCIPAL TERMS OF THE EXCHANGEABLE NOTES

The principal terms of the Exchangeable Notes are set out below:

Principal Amount:	US\$15,000,000
Status:	The Exchangeable Notes constitute senior, direct, unconditional and secured obligations of Think Wise and shall, at all times rank pari passu and without any preference or priority among themselves
Guarantee:	The performance obligations of Think Wise under the Exchangeable Notes is guaranteed by Mr. Ding
Maturity Date:	April 18, 2015, which can be extended to up to no later than April 18, 2016
Interest rate:	10% per annum or 12% per annum during any extended period after April 18, 2015
Payment of interest:	Semi annually on April 18 and October 18 each year during the term of the Exchangeable Notes
Rights:	The Exchangeable Notes do not enjoy any voting or other shareholder rights in respect of the Shares prior to the exchange into Shares.
Transferability:	The Exchangeable Notes are transferable
Exchange right:	The Exchangeable Notes are exchangeable into Shares
Exchange price:	At the Offer Price
Number of Shares exchangeable:	Determined in accordance with the following formula:

$$\frac{A \times B}{C}$$

Where:

A = the outstanding principal amount of the Exchangeable Notes in respect of which the exchange right is exercised

B = a fixed investment return on the outstanding principal amount of such Exchangeable Notes to be so exchanged. The investment return figure will vary depending on when the Listing is to take place.

C = Offer Price

Exchange arrangements:	Not later than 10 business days before any expected completion of the Listing, Think Wise shall deliver a notice in writing (the "IPO Notice") to Chance Talent stating the expected completion date of the Listing. Within 5 business days of receipt of the IPO Notice, Chance Talent may elect to exchange the Exchangeable Notes in whole or in part by delivery of an exchange notice together with the relevant certificate of the Exchangeable Notes, provided that 44% of the principal amount under the Exchangeable Notes shall be mandatorily exchanged into Shares immediately prior to completion of the Listing.
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In respect of the remaining portion of the principal amount of the Exchangeable Notes (“Excessive Amount”), Chance Talent may elect to exercise the exchange right or require Think Wise to redeem the Excessive Amount at an amount that would yield an internal rate of return of 18% based on the principal amount of the Exchangeable Notes to be so redeemed (taking into consideration all interest payments received prior to redemption in respect of such part of the Exchangeable Notes to be so redeemed) (“Redemption Amount”) before completion of the Listing (for the avoidance of doubt, all Excessive Amount must be either exchanged or redeemed before the completion of the Listing) provided that within 5 business days after Chance Talent delivering the exchange notice electing to exercise the exchange right with respect to the Excessive Amount, Think Wise may elect to redeem all or part of the Excessive Amount and in which case, the exercise of such Exchange Right with respect to such Excessive Amount being redeemed shall not be effective.

In determining whether to exercise the exchange right in respect of the Excessive Amount, Chance Talent may take into account, among other things, their own assessment of the financial and trading prospects of our Group, market condition and whether the expected internal rate of return would exceed 18% upon conversion of the Excessive Amount. If Chance Talent elects to exercise the exchange rights, in determining whether to override Chance Talent’s decision and redeem the Excessive Amount, Think Wise may consider, among other things, the strategic benefit and market perception to our Group for allowing Chance Talent to retain a sizeable shareholding in our Company. Think Wise does not intend to redeem all or part of the Excessive Amount if Chance Talent elects to exercise the exchange right in respect of the Excessive Amount. In the event that Chance Talent elects to redeem the Excessive Amount, Think Wise will be able to settle the amount payable to Chance Talent by way of, among other options, dividend income from our Group, personal savings and other realizable and liquid assets of Mr. Ding and/or financing made available to it or Mr. Ding by personal and business contacts of Mr. Ding.

We will disclose the final principal amount of the Exchangeable Notes in respect of which Chance Talent has exercised its exchange rights in the allotment results announcement of our Company currently expected to be published on or about January 14, 2014.

Redemption upon maturity:

Unless previously redeemed, exchanged or cancelled as provided herein and except as otherwise provided herein, Think Wise shall redeem the Exchangeable Notes at the Redemption Amount (provided that no Event of Default has occurred after April 18,

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2013) on the date ending on the second anniversary of such date, or such later date as Think Wise and Chance Talent may agree in writing, but in any event such date shall be no later than the April 18, 2016.

Redemption as a result of a default: If an Event of Default occurs, Chance Talent may at any time thereafter issue a notice of default to Think Wise requiring redemption.

Redemption for no qualified IPO: If the Listing does not take place on or before October 18, 2014, Chance Talent may within five (5) business days after October 18, 2014 by notice in writing require Think Wise to redeem such outstanding principal amount of the Exchangeable Notes which is equal to not more than 40% of the original principal amount of the Exchangeable Notes, and Think Wise shall so redeem such Exchangeable Notes at the Redemption Amount within 40 business days of the notice.

Redemption at qualified IPO: Unless previously redeemed, exchanged or cancelled as provided herein, immediately before the completion of a qualified IPO, Think Wise shall redeem the outstanding principal amount of the Exchangeable Notes at the Redemption Amount.

No early redemption: None of the Exchangeable Notes may be redeemed in whole or in part by Think Wise prior to the maturity date.

Exchange upon Event of Default: If an Event of Default (as defined below) occurs, Chance Talent may at any time thereafter deliver to Think Wise an exchange notice and elect to exercise the exchange right and exchange the outstanding amount of the Exchangeable Notes (excluding default interest thereon) in whole or in part for such number of Shares as determined by the following formula:

$$N = \frac{(D / E) \times F}{0.7}$$

where

N = the number of Shares to be transferred to Chance Talent (or such other wholly owned subsidiary of CCB International (Holdings) Limited as Chance Talent may direct) upon the exchange;

D = the outstanding principal amount of the Exchangeable Notes exchanged together with any accrued and unpaid interest other than default interest;

E = the consolidated net asset value of our Company as shown in the last audited consolidated financial statement of our Company prior to the exchange date; and

F = the number of all outstanding and issued Shares as at the exchange date (including the number of Shares to be transferred upon the exchange).

For the purpose of the Exchangeable Notes, "Event of Default" means, in summary, the occurrence of among other things, any of the following events:

- (a) Think Wise fails to pay any principal or premium in respect of the Exchangeable Notes and such payment is overdue for five business days;

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- (b) Think Wise fails to pay any interest on any of the Exchangeable Notes or any of Mr. Ding or Think Wise (collectively, the “Covenantors”) fails to pay any amount under the transaction documents in connection with Chance Talent’s investment (“Transaction Documents”) and such payment is overdue for three business days;
- (c) a material default by the Convenantors in the performance or observance of any covenant, condition or provision contained in any of the Transaction Documents and the same is not remedied within five business days following the written request of Chance Talent;
- (d) Think Wise fails to transfer any Shares in accordance with the terms of the Exchangeable Notes;
- (e) (i) any other present or future indebtedness of any members of our Group or the Covenantors for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Covenantors or any member of our Group fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; or (iv) any security given by any of Covenantors under any of the security documents in connection with the Exchangeable Notes has become enforceable;
- (f) a resolution is passed or an order of a court of competent jurisdiction is made for the bankruptcy, winding up or dissolution of any of the Covenantors or any members of our Group;
- (g) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of any of Mr. Ding, Think Wise or any member of our Group;
- (h) any step is taken by any person for the appointment of a liquidator (including provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of any Covenantor or any member of our Group or over all or any part of the assets of any Covenantor or any member of Group;
- (i) (i) any step is taken by any judicial, governmental or administrative authority with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of any Covenantor or any member of our Group or (ii) any Covenantor or any member of our Group is prevented from exercising normal control over all or a material part of its property, assets and revenue;
- (j) the audited consolidated net asset value of Red Kids China as shown in the audited financial statements issued by Red Kids China is at any time less than RMB250,000,000;
- (k) it is or becomes unlawful for a Covenantor to perform or the Covenantor is or may otherwise become unable to perform any of its obligations under the Transaction Documents to which it is a party;

HISTORY AND CORPORATE STRUCTURE

(l) occurrence of any material adverse effect on the business, results, operations, property or condition (financial or otherwise) of Think Wise and our Group taken as a whole except (i) such material adverse effect is due to effect generally affecting companies conducting our Group's business; and (ii) such effect is not caused by action or non-action of our Company and/or our Group;

(m) SHKSF exercising its right under the put option and Mr. Ding failing to pay and the share charge granted in favor of SHKSF in connection with SHKSF's investment into our Group becoming enforceable;

(n) Mr. Ding ceasing to have direct or indirect control over our Company either by way of ownership of 50% of voting rights or more or the appointment of majority of directors on our Board;

(o) Mr. Ding ceasing to have 100% interest in Think Wise; or

(p) any event occurs which has an analogous effect to the above events.

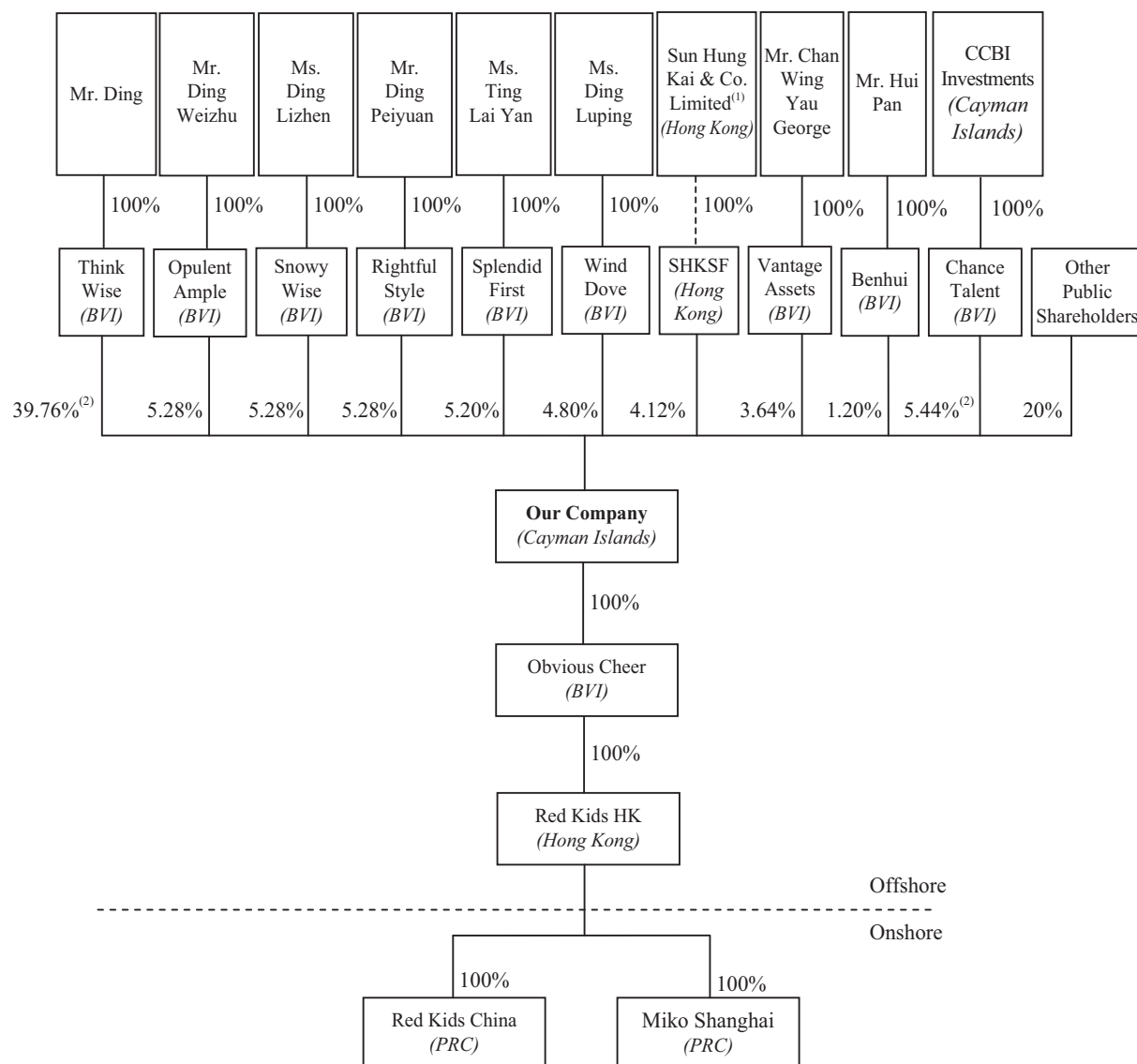
Joint Sponsors' Confirmation

The Joint Sponsors are not aware of any terms of the pre-IPO investments which are not in compliance with Guidance Letters HKEx-GL43-12 and HKEx-GL44-12; the Joint Sponsors are of the view that each of the pre-IPO investments mentioned above are in compliance with the Interim Guidance on Pre-IPO Investments announced by the Listing Committee on October 13, 2010 (as amended) and Guidance Letters HKEx-GL43-12 and HKEx-GL44-12.

HISTORY AND CORPORATE STRUCTURE

GROUP STRUCTURE IMMEDIATELY UPON COMPLETION OF THE GLOBAL OFFERING

The corporate structure of our Group immediately after the Corporate Reorganization, the pre-IPO investments, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and none of the options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme are exercised), on the basis that the Listing will be completed on or before 31 October 2014; and assuming the automatic exercise of exchange rights in respect of 44% of the principal amount of the Exchangeable Notes by Chance Talent upon completion of the Global Offering, is set out below:



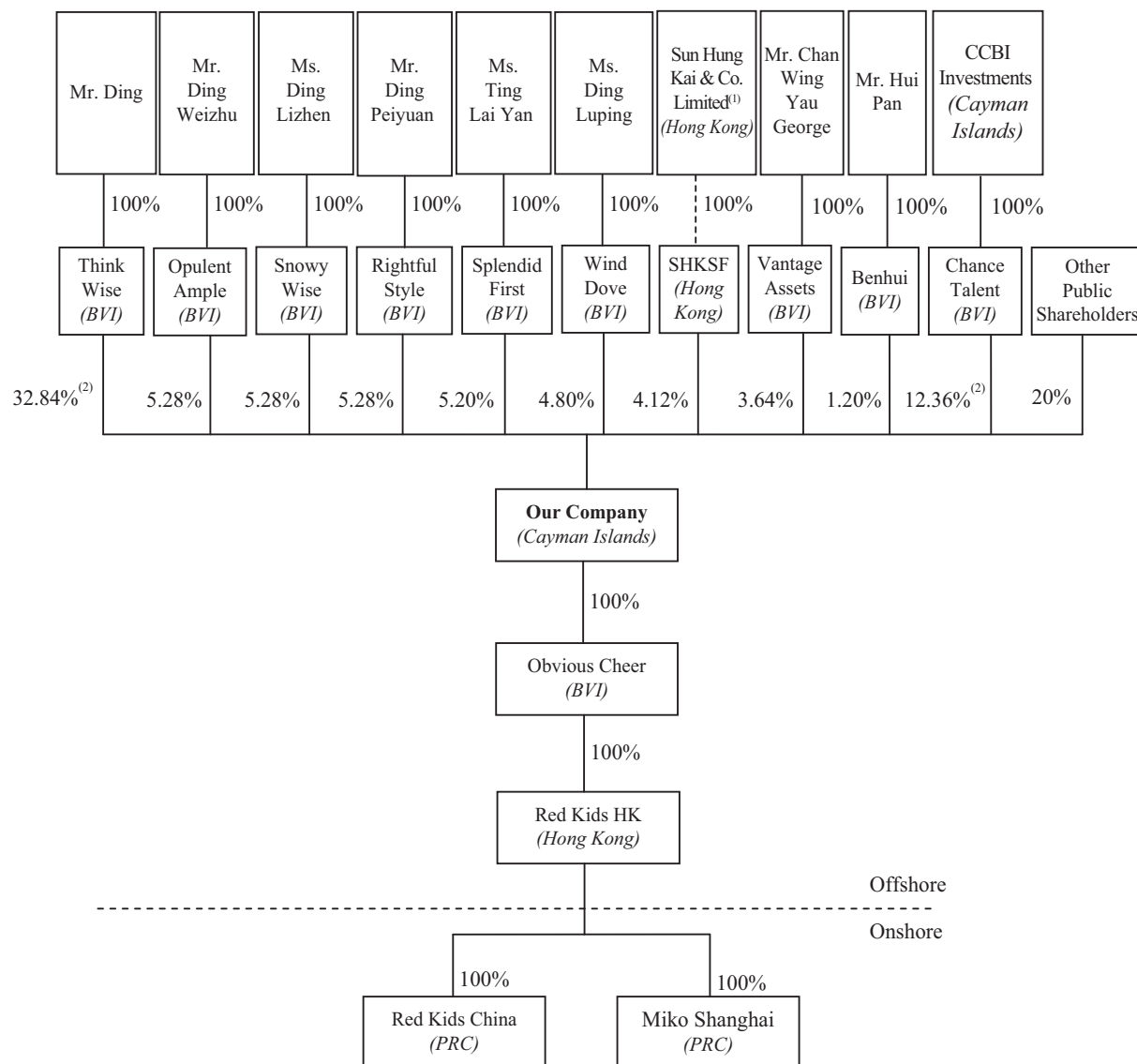
Notes:

- (1) Sun Hung Kai & Co. Limited, a company listed on the Stock Exchange (stock code: 86), indirectly controls 100% interest of SHKSF.
- (2) The number of Shares to be transferred to Chance Talent upon exercise of the exchange rights by Chance Talent under the Exchangeable Notes will vary pursuant to the terms of the Exchangeable Notes. For illustration purposes only, adopting the mid-point of the indicative Offer Price range of HK\$1.96 per Share, Chance Talent will hold approximately 5.44% Shares upon the Listing and correspondingly, Think Wise's interest in our Company will become approximately 39.76% upon the Listing.

HISTORY AND CORPORATE STRUCTURE

GROUP STRUCTURE IMMEDIATELY UPON COMPLETION OF THE GLOBAL OFFERING

The corporate structure of our Group immediately after the Corporate Reorganization, the pre-IPO investments, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and none of the options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme are exercised), on the basis that the Listing will be completed on or before 31 October 2014; and assuming the exchange rights in respect of 100% of the principal amount of the Exchangeable Notes will be exercised by Chance Talent upon completion of the Global Offering, is set out below:



Notes:

- (1) Sun Hung Kai & Co. Limited, a company listed on the Stock Exchange (stock code: 86), indirectly controls 100% interest of SHKSF.
- (2) The number of Shares to be transferred to Chance Talent upon exercise of the exchange rights by Chance Talent under the Exchangeable Notes will vary pursuant to the terms of the Exchangeable Notes. For illustration purposes only, adopting the mid-point of the indicative Offer Price range of HK\$1.96 per Share, Chance Talent will hold approximately 12.36% Shares upon the Listing and correspondingly, Think Wise's interest in our Company will become approximately 32.84% upon the Listing.

HISTORY AND CORPORATE STRUCTURE

SAFE REGISTRATION

SAFE issued Circular No. 75 on October 21, 2005, which requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the Circular No. 75 as special purpose vehicles (“SPVs”). PRC residents who are shareholders of SPVs established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. Further, PRC residents are required to file any amendments to their registrations with the local SAFE branch within 30 days after such amendment happens if their SPVs undergo a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments. On November 19, 2012, SAFE further issued Circular No. 59, effective on December 17, 2012, which further stipulates the procedures of registrations under Circular No. 75, and sets out specific guidelines for the registration, deregistration and supplemental registration procedures for PRC residents engaging in capital financing and round-trip investment via SPVs.

Our PRC legal adviser, Jingtian & Gongcheng, has confirmed that each of Mr. Ding, Mr. Ding Peiyuan, Mr. Ding Weizhu, Ms. Ding Lizhen and Ms. Ding Luping, who are beneficial owners of our Company and PRC residents as defined under Circular No. 75, has completed the foreign exchange registration of overseas investments at the Fujian Bureau of the SAFE on November 12, 2013. As Ms. Ting Lai Yan is a Hong Kong permanent resident, the requirement regarding foreign exchange registration under Circular No. 75 is not applicable to her thus she is not required to complete such registration.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On August 8, 2006, six PRC Governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Regulation”) which became effective on September 8, 2006 and was revised on June 22, 2009. Pursuant to the M&A Regulation, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce; and the M&A Regulation requires an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Our PRC legal adviser, Jingtian & Gongcheng, has confirmed that since (i) Red Kids China was legally and duly established as a foreign invested enterprise before September 8, 2006, the date from which the M&A Regulation became effective; and (ii) Miko Shanghai was set up by Red Kids HK as a wholly foreign-owned enterprise on June 24, 2013, which did not fall under the definition of takeover under the M&A Regulation; therefore, our Group is not subject to the examination and approval of the Ministry of Commerce, nor the overseas Listing of our Group is subject to the approval of the CSRC, pursuant to the M&A Regulation.

Furthermore, our PRC legal adviser, Jingtian & Gongcheng, has confirmed that we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from PRC government authorities for the Corporate Reorganization and the Listing.