Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in us before making any investment decision in relation to us.

RISKS RELATING TO OUR BUSINESS

We may not be able to manage the rapid growth of our retail network effectively

We have expanded our retail network rapidly in recent years and one of our strategies for growth is expanding and diversifying our sales network. Since the beginning of 2007, when we had 101 department store concessions and two Boshiwa 365 stores that were mostly located in Shanghai and the surrounding provinces, we have expanded to a network of 1,062 self-managed and authorized third-party department store concessions, 24 street shops, 33 Boshiwa 365 stores and seven flagship stores as of June 30, 2010. In the second half of 2010, we plan to open 239 self-managed and 238 authorized third-party department store concessions mainly in eastern China, northern China, central China and northeastern China; five self-managed and one authorized third-party street shops mainly in eastern China and three self-managed and two authorized third-party flagship stores mainly in eastern China, northern China and northeastern China. The management expertise required to manage a network that includes larger stores located across the country may be different from the expertise required to manage a more centrally located network of mostly smaller department store concessions. The rental and renovation obligations imposed by our expansion plans may impose liquidity constraints on our business. Our new self-managed stores and authorized third-party retailers may not perform as well financially as we anticipated. There are no assurances that we will succeed in our growth strategy. If we fail to effectively manage our expansion plans, our business, financial condition and results of operations could be materially and adversely affected.

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

Our success depends on our ability to predict, identify and interpret the habits and tastes of, and trends among, consumers and to offer products that appeal to those consumer preferences. If we fail to predict accurately which shifts in consumer preferences will be long lasting, or to introduce new and improved products to satisfy those preferences, we may be unable to adjust our product mix accordingly in a timely manner, and our sales and market share may decrease, resulting in reduced profitability.

In addition, given the variety of backgrounds of our consumers across China, we must offer products that satisfy the 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 sign more license agreements and distribution agreements with owners of recognized brands in our industry, and also consider investing more resources in the design and development of new products. However, we cannot assure you that the market will accept these new products when we introduce them. If our new products fail to generate market interest, our business, financial condition and results of operations may be materially and adversely affected.

We rely on our licensed brands for a significant portion of our revenue. If we are unable to renew our licenses upon expiration or if license royalties increase substantially, our business, financial condition and results of operations would be materially and adversely affected

We have licensed a number of brands, including Harry Potter, Prince of Tennis, NBA, Barcelona, Juventus, Manchester United, Bob the Builder and Thomas and Friends. Under the relevant license arrangements, we have the right to design, manufacture or sell children's products in the PRC. See "Business—Brands of our children's apparel, footwear and accessories" for details of the relevant license arrangements.

As a result of increased competition, we may, in the future, be required to pay licensors higher royalties in order to obtain or retain attractive licenses. This increased competition could have an adverse impact on our profitability. In addition, since all rights under the Harry Potter License Agreement, as well as certain rights under the Prince of Tennis License Agreement and the NBA License Arrangement are licensed to us on a non-exclusive basis, any exclusive or other licensing arrangements granted to our competitors could limit our future ability to develop and sell products under this brand.

According to the respective license agreements, licenses for the Harry Potter brand and Prince of Tennis brand will expire in 2011 and the license for the NBA brand will expire in 2012. For the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, the total sales revenue of products under our licensed brands accounted for approximately 23.7%, 40.5%, 34.4% and 27.4% of our total revenue. If we are unable to renew our license arrangements on acceptable terms or at all, our business, financial condition and results of operations would be adversely affected. In addition, if any of our existing license arrangements is terminated prematurely or if we are unable to develop and enter into new licensing arrangements, our business, financial condition and results of operations would be materially and adversely affected.

Moreover, as our experience in licensed brands is to some extent limited, we can provide no assurance that we would continue to be able to realize benefits from the licensed brands. If we are unsuccessful in the implementation of our business strategy relating to licensed brands, we may not be able to meet our revenue goals or achieve the product and business mix required to maximize our operating margins, which could have a material and adverse effect on our business, financial condition and results of operations.

Failure to effectively maintain or enhance our brand recognition may materially and adversely affect our future success

We believe that our brand recognition is important to our success as a children's product developer and retailer, as market perception of a brand is typically one of the determining factors for consumers in making purchasing decisions. We focus our brand promotion efforts on establishing and maintaining, for each of our brands, what we believe a unique and distinctive set of story-based and healthy cultural images. For example, our Boshiwa brand is recognized for its colorfulness and concepts of youth, vitality, wisdom and nobility; our products under the Baby^2 brand are recognized for their loveliness and cuteness in a Japanese style; we promote our products under the Prince of Tennis brand as embodying the spirits of sports, fashion, campus life and competitiveness; our products under the Harry Potter brand is marketed as a mysterious and bold style; and our products under the NBA brand are marketed for their athletic and fashion features. If we are unsuccessful in promoting these brand images or fail to maintain our brand recognition among our targeted consumer groups, or if the difference in the value attributed to our products as compared to those of our competitors narrows, market perception and consumer acceptance of our brands may be eroded, and our business, financial condition, results of operations and prospects may be materially and adversely affected as a result.

We may not be able to successfully integrate new brands into our business

To enhance our growth, we plan to introduce new self-owned brands and licensed brands. We may also enter into additional distribution agreements with international children's product providers for new products that are suitable for the children's product market in China. However, any new brands that we may launch in the future may not achieve anticipated growth, or could fail. We may also not be able to successfully integrate new brands into our existing business operations. Thus, if we are unsuccessful in the implementation of our business strategy relating to the newly acquired or licensed brands, we may not be able to meet our revenue goals or achieve the product and business mix necessary to improve our operating margins, which could have a material adverse effect on our business and results of operations.

Authorized third-party retailers operate some retail outlets that primarily sell our branded products. If any authorized third-party retailer ceases to cooperate with us for any reason or fails to comply with our retail policies, our business and brand image may be materially and adversely affected

Authorized third-party retailers operate some retail outlets that primarily sell our branded products. We sell our products to these retailers on a wholesale basis. As of June 30, 2010, 594 out of our 1,126 retail outlets were managed by authorized third-party retailers. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, authorized third-party retail outlets contributed approximately 23.6%, 30.6%, 51.1% and 53.4% of our revenue. We rely on contractual agreements to ensure that these authorized third-party retailers adhere to our retail policies. There is no assurance, however, that authorized third-party retailers will comply with our retail policies at all times. In the event that any non-compliance occurs, we may not be able to effectively manage our sales network or maintain a uniform brand image. In addition, we cannot assure you that retail outlets managed by such authorized third-party retailers would continue to offer quality services to consumers. If our authorized third-party retailers fail to comply with our retail policies or otherwise fail to meet our standards, our business, results of operations and financial condition may be materially and adversely affected.

A limited number of authorized third-party retailers are located in second-tier and third-tier cities. For example, we have only one third-party retailer in Changchun. If any third-party retailer in any of these markets ceases to cooperate with us for any reason, it may be difficult, or even impossible, for us to find a qualified replacement in that market, and our business may be adversely affected as a result.

We depend on our OEMs, ODMs and suppliers for all of our products. Any disruption in the supply of our products or unfavorable changes in the prices or quality of those products could have a material and adverse effect on our business, financial condition and results of operations

We outsource the manufacturing of all of our textile products to domestic OEMs. We source our other children's products from OEMs, ODMs and suppliers. As we expect to expand our business and our product portfolio, our reliance on OEMs, ODMs and suppliers will likely increase in 2010 and beyond. Problems with any of our OEMs', ODMs' or suppliers' production facilities or processes could result in product defects or failure to produce an adequate number of products meeting our required quality standards. If such an event should occur, we could be required to recall products previously dispatched, delay delivery of products, or be unable to supply products at all. Defects or poor quality of our products could also adversely affect our reputation and brand image. In addition, we may need to record periodic charges associated with manufacturing failures or other production-related costs that are not absorbed into inventory or incur costs to secure additional sources of capacity. Our largest supplier represented approximately 48.7% and 38.8% of our total procurement costs for the year ended December 31, 2009 and for the six months ended June 30, 2010, respectively. This supplier sources children's apparel for us from OEMs in China. If this supplier is unable to continue to supply to us in the same amount or at all, our business, financial condition and results of operations could be materially and adversely affected.

A number of factors could cause prolonged interruptions in the operations of our OEMs', ODMs' or suppliers' production facilities, including:

- the inability to procure raw materials used for the manufacture of our products;
- equipment obsolescence, malfunction or failure;
- damage to a facility, including warehouses and distribution facilities due to natural disasters;
- changes in law that require modifications to manufacturing processes;
- an OEM or ODM going out of business or otherwise failing to manufacture products as contractually required;
- labor disputes; and
- other similar factors.

Difficulties or delays in our OEMs', ODMs' or suppliers' manufacturing and supply of products could increase our costs, cause us to lose revenue or market share and damage our reputation, any of which could have a material and adverse effect on our business, financial condition and results of operations.

We have a limited operating history under our current business model, and you should not place undue reliance on our historical financial performance

We had a manufacturing business in 2007 and 2008, which was conducted by our then subsidiaries Shanghai Ronghua, Shanghai Rongli, Shanghai Rongfeng and Rongchen Knitting. These subsidiaries primarily manufactured children's apparel and accessories on an OEM basis for various brands in China and Japan. We disposed of these subsidiaries in August, September and October of 2008 and began to focus all of our efforts and resources on the design, development and marketing of children's products. We currently outsource the production of all of our products to domestic OEMs and overseas ODMs.

As we have a limited operating history under our current business model, our past performance may not be indicative of our performance for any future period. You should not rely on our past results as an indication of our future performance. We may encounter difficulties in our business operations that we have not encountered in the past, and we may not have the requisite experience to handle such difficulties properly. We cannot assure you that the growth we achieved during the Track Record Period will be sustained at the same rate in the future, or at all.

Our gross profit margin from continuing operations for 2009 decreased compared with that for 2008

Our gross profit margin from continuing operations decreased from 56.7% for the year ended December 31, 2008 to 42.3% for the year ended December 31, 2009. This decrease was primarily attributable to the decreases in our gross profit margins for children's apparel, footwear and accessories and other children's products. In addition, we generated a higher percentage of our revenue for 2009 from sales to authorized third-party retailers compared with 2008, which reduced our gross profit margins as our sales to authorized third-party retailers were at a discount from our sales to retail customers. For further details, see "Financial Information—Year Ended December 31, 2009 compared to Year Ended December 31, 2008—Gross profit and gross profit margin." As we further grow our business and expand into additional markets, we expect to continue to face risks and difficulties relating to our financial performance in our future operations. If we are unable to successfully address these risks and difficulties, our business, financial condition and results of operations would be materially and adversely affected.

Previous irregularities relating to our online sales through third-party websites could result in penalties by relevant government authorities

During the period from November 2008 to June 28, 2010, we conducted online sales through our online stores established on **www.taobao.com** (淘宝网), which is a third-party website. These online stores were operated by two of our subsidiaries in the PRC, Shanghai Boshiwa and Boshiwa Enterprise, and offered children's apparel, footwear, accessories and other children's products. Sales of these online stores accounted for approximately 0.0%, 0.2%, 1.7% and 2.0% of our total revenue during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively, and gains from such online sales were nil, RMB0.2 million, RMB2.3 million and RMB3.2 million for the same periods, respectively. In the course of preparation for the Listing, we were advised by our PRC legal advisers, Haiwen & Partners, that such online sales business did not comply with relevant PRC laws and regulations then effective. The two subsidiaries then ceased to carry out online sales on June 28, 2010. We resumed our online sales business in the PRC through third-party websites in September 2010 after the introduction of the MOFCOM Notice issued on August 19, 2010. See "Business—Legal Compliance and Proceedings" for details.

Such online sales carried out by Shanghai Boshiwa or Boshiwa Enterprise prior to June 28, 2010 were not in compliance with the PRC laws and regulations then effective. According to our PRC legal advisers, Haiwen & Partners, pursuant to the Measures on the Administration of Foreign Investment in Commercial Sector (外商投資商業領域管理辦法) issued by the Ministry of Commerce and related subsequent rules promulgated by the MOFCOM, prior to the introduction of the MOFCOM Notice issued on August 19, 2010, engagement in the retail business through either third-party websites or self-operated websites by a foreign invested enterprise or an enterprise established by a foreign invested enterprise was subject to MOFCOM's approval, which neither Shanghai Boshiwa nor Boshiwa Enterprise had obtained. Thus, relevant government authorities have the discretion to take actions against Shanghai Boshiwa or Boshiwa Enterprise, including confiscation of illegal gains and imposing a fine of up to RMB500,000. Although we have not been punished by the relevant authorities for our historical online sales, there will be no guarantee that the authorities will not impose penalties on us in the future. If the PRC government authorities should impose penalties on us, we may be required to pay to the government an amount that equals our total profit from such online sales plus a fine as described above. If this occurs, our business, financial condition and results of operations could be adversely affected.

We rely on a series of Structure Contracts to conduct our online sales business in the PRC

Due to regulatory limitations prohibiting foreign investors from holding a controlling stake in entities which are engaged in the provision of value-added telecommunications services in the PRC, we resumed our online sales business in the PRC through third-party website in September 2010 after the introduction of the MOFCOM Notice issued on August 19, 2010. We also plan to conduct online sales business through Shanghai Desheng and through its self-owned websites. Neither we nor our subsidiaries hold any equity interest in Shanghai Desheng, which is 100% owned by our chairman and chief executive officer, Mr. Zhong. We maintain effective control over Shanghai Desheng through a series of Structure Contracts that Shanghai Boshiwa entered into with Shanghai Desheng and Mr. Zhong on June 28, 2010, through which we may receive substantially all of the profits of Shanghai Desheng in the form of consulting and service fees. These Structure Contracts are not as secure as direct equity and may not be as effective in providing control over Shanghai Desheng as direct ownership. Further, as part of these Structure Contracts, Shanghai Boshiwa entered into an equity pledge agreement with Mr. Zhong, pursuant to which Mr. Zhong pledged all of his equity interests in Shanghai Desheng to Shanghai Boshiwa. According to the PRC Property Rights Law, such pledge becomes effective upon registration with the local administration for industry and commerce. The registration for such pledge was completed on September 13, 2010. Details of these Structure Contracts are set forth in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in this prospectus.

There can be no assurance that the interpretation by our PRC legal advisers as to PRC laws of the effectiveness of these Structure Contracts is in line with the interpretation of the PRC government authorities. Nor can there be any assurance that all or some of these Structure Contracts will not be deemed by the PRC government authorities to be in violation of PRC laws. Any determination by competent authorities in the PRC that these Structure Contracts or any part thereof is not in compliance with any new interpretations or newly issued laws, regulations, rules or policies could result in us being required to restructure our online sales business through Shanghai Desheng, which in turn could result in disruption of our online sales business through Shanghai Desheng, diversion of management attention and the incurrence of extra costs. Moreover, if these Structure Contracts are found to be in violation of PRC laws, rules or regulations, the relevant PRC regulatory authorities will have discretion to take action against Shanghai Desheng, its shareholder Mr. Zhong or Shanghai Boshiwa for such violation, including unwinding the Structure Contracts or prohibiting us from operating our online sales business through Shanghai Desheng in the PRC. The PRC government may revoke the ICP license of Shanghai Desheng, require Shanghai Desheng to discontinue or restrict its operations, restrict our right to collect revenues or take other regulatory or enforcement actions against us that could have an adverse effect on our business operations.

Furthermore, we control Shanghai Desheng through the Structure Contracts. If Shanghai Desheng or Mr. Zhong fails to comply with, or refuses to renew, these Structure Contracts, our online sales business through Shanghai Desheng in the PRC might be disrupted and our revenue could decrease. In addition, if Shanghai Desheng or Mr. Zhong fails to perform or violates these Structure Contracts, we would have to rely on legal remedies under the PRC legal system to enforce the Structure Contracts, which may be less effective than in other jurisdictions. Any legal proceedings could result in disruption to our business in the PRC and result in extra costs to us. There can be no assurance that the outcome of such legal proceedings would be satisfactory to us.

Title defects affecting the property in the PRC that we lease could adversely affect our use of such property

As at June 30, 2010, we leased 16 properties in the PRC, with an aggregate gross floor area of approximately 18,101.62 sq.m. Out of these leased properties, one is a warehouse located in Shanghai and is used for the storage of our products, another is for office use by Shanghai Desheng, and the remaining are all used as retail premises. The lessor of one of our leased properties, which is used as the retail outlet premise with a gross floor area of approximately 800 sq.m., accounting for approximately 6% of the aggregate gross floor area of all leased retail premises, has not been able to provide the proper title certificate of such property. Our PRC legal advisers, Haiwen & Partners, are of the view that the validity, legality and enforceability of the lease agreement of such property, as well as our leasehold interests under the lease agreement, are subject to uncertainties under PRC law. Other than such leased property, our PRC legal advisers have confirmed that the lessors of all the other leased properties in the PRC have rights to lease the relevant premises to us and such lease agreements are protected by PRC laws and regulations.

As confirmed by our PRC legal advisers, Haiwen & Partners, we will not be subject to any legal liabilities or penalties for using the above-mentioned leased property without proper title certificate. However, we may be required to cease occupation and usage of such leased property, in which case we will have to relocate the retail facilities in such retail premise. If we are required to vacate the property, our Directors estimate that additional costs of approximately RMB493,000 may be incurred, including relocation expenses and the expected loss of profits of approximately RMB53,000, and it may take up to approximately one month to relocate the operations from the retail premise. Our Directors confirm that such defective property is not crucial to our business and operations for the following reasons: (a) suitable properties in appropriate areas could be identified for relocation, if needed, and (b) we have just commenced our retail business in such premise since 2010 and as for the six months ended June 30, 2010, the sales revenue from such retail outlet only accounted for less than 0.01% of our total revenue for the same period.

In the future, we will also put in place a policy which involves checking the title certificates of the relevant property before entering into new lease arrangements. If the lessor fails to produce proof of proper title but the management decides that we should nevertheless lease the relevant property (because the terms are favorable or the property is at a prime location), we may still enter into such lease but will continue to liaise with the landlord with a view to rectifying any defects in title. However, we will, prior to entering into such lease, conduct a cost-benefit analysis to compare the relevant expenses and loss of profits involved in a possible relocation with the benefit (possibly arising from capturing more revenue in a prime location or lower costs because of favorable terms) that may arise from leasing such property. If the benefits outweigh the costs, we may still lease such property.

In addition, none of our lease agreements have been duly registered with the relevant government authorities so far. As advised by our PRC legal advisers, Haiwen & Partners, though Law of the PRC on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) amended as of August 27, 2009 requires that lease agreements of real estate properties shall be registered with relevant real estate government authorities, it does not specify that the validity, legality and enforceability of such agreements are subject to such registration, and pursuant to Supreme People's Court's interpretation of PRC Contract Law No. 1 promulgated as of December 19, 1999, the non-registration of these lease agreements would not affect the validity of such lease agreements. Further, as advised by our PRC legal advisers, Haiwen & Partners, our PRC subsidiaries, as lessees to the relevant lease agreements, will not be subject to any administrative penalty as a result of the non-registration of the lease agreements, except for two of our leased retail premises which are located in Nanjing city and Qingdao city, respectively. For the leased property in Nanjing, pursuant to the Administrative Measures on Lease of Real Property promulgated by Nanjing Municipal People's Government on September 10, 2004, the relevant government authorities may impose on us a fine ranging from RMB1,000 to RMB10,000 for the non-registration of the lease agreement. For the leased property in Qingdao, pursuant to the Administrative Measures on Urban Private Real Property promulgated by the Standing Committee of the People's Congress of Qingdao City on March 25, 1991 and as amended on May 16, 2002, the relevant government authorities may also impose on us a fine ranging from RMB50 to RMB100 for such non-registration.

We may fail to secure space for our self-managed retail outlets on commercially reasonable terms

We enter into concessionaire and lease agreements to obtain retail space for the operation of our self-managed retail outlets. The concession fees and rental expense associated with our retail business included in selling and distribution expenses increased from RMB12.1 million for the year ended December 31, 2007 to RMB21.7 million for the year ended December 31, 2008 and to RMB31.1 million for the year ended December 31, 2009, and for the six months ended June 30, 2010, the corresponding figure is RMB29.4 million. When we expand our retail network by adding new retail outlets, availability of retail space at desirable locations and on acceptable terms is one of the key factors that we consider. We are cautious in the selection of our retail outlets, and we take into account factors such as the convenience and accessibility of the sites to our target customer groups, the expected pedestrian flow, and the degree of surrounding competition. However, we cannot assure you that we will be able to obtain suitable retail space for our new retail outlets with concession fees or lease terms that are acceptable to us, or at all. In addition, most of our concessionaire agreements are for one-year term, and approximately 45% of them will expire by December 31, 2010 and the remaining 55% by December 31, 2011, and the lease agreements for four out of our total 14 leased retail premises as of June 30, 2010 expire within the next three years. Though the market rental rates in the PRC during the Track Record Period are relatively stable, with slight increase in 2009 due to market recovery after the economic recession, and the increase in our concession fees and rental expenses during the Track Record Period is mainly due to the increase in the numbers of our self-managed retail outlets, we cannot assure you that we will be able to renew our existing concessionaire or lease agreements upon expiration or on terms and conditions that are acceptable to us. If such existing concessionaire or lease agreements cannot be renewed, we will have to find alternative premises that may not be located in areas that offer similar business environments. In addition, failure to renew our retail space will provide an opportunity for competitors to move into such retail spaces previously occupied by us. Accordingly, failure to secure retail space for our self-managed retail outlets on terms that are acceptable to us may lead to decreases in our revenue and increases in our cost of operations.

We may encounter difficulties when expanding into new markets

We plan to expand our geographic coverage by targeting national and regional markets of major cities in China or overseas. However, factors as listed below could prevent us from competing effectively in these markets in China and thus negatively affect our expansion:

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

In addition, our Boshiwa 365 stores and flagship stores in the eastern China market have been highly successful since their openings and contributed significantly to the growth in our revenue and net profit. However, for our new retail outlets, including Boshiwa 365 stores and flagship stores, to be launched and operated in the new markets, there is no assurance that they will be as successful as those in the eastern China market.

Our revenue is subject to the concessionaire agreements with department stores containing revenue sharing terms

We derived approximately 16.2%, 29.2%, 26.4% and 19.2% of our revenue from the sales revenue of our self-managed concessions in department stores for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. We derive such revenue according to the concessionaire agreements with department stores containing revenue sharing terms, pursuant to which the concession fees are typically calculated as a percentage ranging from approximately 15% to approximately 30% of our monthly sales receipts or the higher of the basic monthly fee ranging from approximately RMB10,000 to approximately RMB40,000 or a percentage of our monthly sales revenue, depending on the bargaining position of the respective department stores. In addition, the lease agreements of four of our retail outlets contain similar profit sharing arrangements. To the extent that the department stores are able to reduce the percentage to be paid to us when renewing the concessionaire agreements with us, our revenue from the sales of our self-managed concessions in department stores may decrease and our results of operations may be adversely affected. In addition, if the department stores do not pay us such sales revenue in a timely manner or at all, our results of operations and financial conditions may be materially and adversely affected.

Increases in commodity prices will increase purchasing costs for our products and may reduce our profitability as a result

Commodity prices impact our business directly through the cost of raw materials used to make our products, such as cotton, textile, skim milk powder and lactose, the cost of inputs used to manufacture and ship our products, such as crude oil and energy, and the cost of producing or purchasing packaging for our products, such as cans, pouches, cardboard and plastic. Commodities such as these are susceptible to price volatility caused by conditions outside of our control, including fluctuations in commodities markets, currency fluctuations and changes in governmental policies. Since we outsource the production of all of our products to our OEMs, ODMs and procure all of the other imported products from domestic and overseas suppliers, the increased cost of these commodities is likely to be passed on to us from them. Thus, considering the fact that we have limited control over the price at which our distributors and customers are willing to purchase our products, if we are unable to pass on the increased cost to our customers or authorized third-party retailers by selling our products at higher prices, our results of operations may be materially and adversely affected.

If we fail to adequately protect our intellectual property rights, our brands and our reputation could be materially and adversely affected

Given the importance of brand recognition to our business, we have invested considerable efforts to secure adequate protection for our self-owned brands, including the Boshiwa brand, the Baby^2 brand and the Dr. Frog brand. We have registered the trademarks for a number of our brands in the PRC and Japan and we are currently applying for the registration of these trademarks in Hong Kong. However, we cannot be certain that the steps we have taken will be sufficient to protect our intellectual property rights in our brands adequately or that third parties will not infringe upon or misappropriate any such rights. Our trademark registrations and applications can potentially be challenged and cancelled or narrowed. Moreover, it is costly to litigate in order to protect any of our intellectual property rights. If we are unable to prevent third parties from infringing or misappropriating these rights in our self-owned products or brands, our future financial condition and our ability to develop our business could be materially and adversely affected. Other companies, including our OEMs who have access to our designs, may in the future take actions that we believe violate our intellectual property rights and we may decide to enforce those rights against such actions. Uncertainties inherent in such litigation make the outcome and associated costs difficult to predict. If unsuccessful, the legal actions could result in the invalidation of some of our intellectual property rights, which could materially and adversely affect our business.

The use of trademarks or brands that are same as or similar to our trademarks or brands by other parties may have a negative impact on the goodwill, value and images of our brands

The laws of the PRC permit other parties to register trademarks which may be similar to our registered trademarks in different categories of products or services under certain circumstances. Such activities may cause confusion among consumers. Our control over the quality of products provided by third parties who use trademarks similar to ours is limited. We may initiate legal proceedings to defend the ownership of our trademarks or our brands against unlawful infringement by third parties. These legal proceedings may be time-consuming and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome. We can give no assurance that such legal proceedings would be successful. The goodwill and value of our trademarks and public perception of our brands and images 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 brands and images could have a material and adverse effect on our sales, and therefore on our business, financial condition and results of operations and prospects.

Our business could be materially and adversely affected by claims by third-parties for possible infringement of their intellectual property rights

Third parties, including our competitors, may believe that one or more of our products infringe their intellectual property rights. If a third party asserts that our products or services are infringing upon its intellectual property, these claims could cause us to incur expenses and, if successfully asserted against us, could require that we pay substantial damages and/or prevent us from selling our products. Even if we were to prevail against such claims, any litigation regarding intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Furthermore, as a result of an intellectual property challenge, we may find it necessary to enter into royalty licenses or other costly agreements, and we may not be able to obtain such agreements at all or on terms acceptable to us. During the Track Record Period, to the best knowledge of the Directors, we have not infringed any other third party's intellectual property rights which would have a material adverse effect on our business and financial condition.

We have applied to register our logo as a trademark in Hong Kong, which has yet to be approved.

We have submitted an application to the Trade Marks Registry of the Intellectual Property Department of the Government of Hong Kong, or the Trade Marks Registry, to register as a trademark our logo that appears on the cover of this prospectus. See "Appendix VI—Statutory and General Information—Intellectual Property Rights of our Group" for details. As the registration of the trademark has yet to be approved by the Trade Marks Registry, there can be no assurance that there will not be any claims, disputes or litigations made or threatened to be made against us. Any claims, disputes or litigations involving infringement of third party intellectual property rights, whether with or without merit, can be costly and may divert our resources, tarnish our reputation and materially and adversely affect our business, financial condition and results of operations.

Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies

We have financed our working capital and capital expenditure needs primarily through bank loans from local banking institutions, from operating cash flows, and through capital contribution by shareholders. We expect our working capital needs and our capital expenditure needs to increase in the future as we continue to expand and enhance our retail and distribution network, increase our design, research and development capabilities and as we continue to implement our other strategies. Our ability to raise additional capital will depend on the financial success of our current business and the successful implementation of our key strategic initiatives as well as financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at reasonable cost and at the required times, or at all. Further equity financings may have a further dilutive effect on our stockholders. If we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and the debt service payments may be a significant drain on our free capital allocated for research and other activities. If we are unsuccessful in raising additional capital, we may not be able to continue our business operations and advance our development programs.

We may fail to execute our growth strategy or maintain our growth rate if we cannot adequately increase internal resources to manage our expanding business

Our future growth will impose significant additional responsibilities on our management, including the need to identify, recruit, train and integrate additional employees, manage the expansion of our procurement system, and oversee the expansion of our retail and distribution network. In addition, rapid and significant growth is expected to place a strain on our administrative and operational infrastructure, in particular on our internal accounting and financial reporting processes and systems. We plan to further expand our retail network by opening new retail outlets in 2010 and 2011. We plan to open 239 self-managed and 238 authorized third-party department store concessions; five self-managed and one authorized third-party street shops and three self-managed and two authorized third-party flagships stores in the second half of 2010. As our operations expand, we expect that additional resources will be required to oversee an increasing number of retail terminals and to manage new relationships with additional authorized third-party retailers, as well as other third parties, including OEMs, ODMs, suppliers, equipment and facility providers, consultants and others. Our ability to manage our operations and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy.

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

Our business strategy and future success depend, in part, upon our ability to attract, hire and retain highly-skilled managerial, professional service, sales, development, marketing, accounting, administrative, information technology, science, research and infrastructure-related personnel, who are critical to our business functions. In particular, we rely on the continued services of our executive Directors, Mr. Zhong and Ms. Chen, as well as our senior management members, including but not limited to Mr. Lv Yi Hao and Mr. Zhang Xiao Qing. Most of them have been part of our management team since the inception of our business. If we lose the services of any of these key executives and cannot replace them in a timely manner, our business and prospects may be materially and adversely affected.

The market for highly-skilled employees is competitive in the labor markets in which we operate. In particular, we believe that currently there is a shortage of qualified personnel with design expertise and industry experience of children's products in the PRC. If we are unable to retain key design employees or recruit qualified design personnel in a timely fashion, or if we are required to incur unexpected increases in compensation costs to retain key employees or meet our hiring goals, our business could be materially and adversely affected and it thus could be more difficult for us to sell and develop our products and execute our business strategy.

In addition, potential labor disputes with our employees or potential labor disputes, work stoppages or slowdowns at any of our OEMs, ODMs, suppliers, authorized third-party retailers or retail facilities could disrupt our operations or our expansion plans. Delays caused by any such disruptions could have a material and adverse effect on our business and results of operations.

Any material increase in delivery costs could have an adverse effect on our business and operating results

We deliver our products to our self-managed retail outlets and to agreed delivery points for authorized third-party retail outlets, through third-party logistics companies who bear the risks and losses associated with the delivery of our products. We bear the delivery expenses of these logistics companies. We did not experience any material loss in the delivery of our products during the three years ended December 31, 2009 and the six month ended June 30, 2010. However, there is no assurance that we will not experience any material delay or material loss in the delivery of our products in the future. Moreover, in the event of any material increase in delivery costs, considering the fact that we have limited control over the price at which our distributors and customers are willing to purchase our products, if we are unable to pass on the increased cost to our customers or authorized third-party retailers by selling our products at higher prices, our results of operations may be materially and adversely affected.

Our business could be harmed by a failure of our information technology and administrative systems

We rely on our information technology and administrative systems, particularly the E-MAX system and the BI system which are developed by third-party software development companies, to effectively manage our business data, communications, supply chain, order entry and fulfilment and other business processes. The failure of our information technology or administrative systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies and the loss of sales and customers, causing our business to suffer. In addition, our information technology and administrative systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, security breaches and viruses. During the three years ended December 31, 2009 and the six months ended June 30, 2010, we have not had any material system failure except that our information system was once hacked by unknown people in 2007 by way of virus attack which was removed shortly. The incident did not cause any interruption to our business operation and had no impact to our business operation or financial position. However, any such invasion in the future could have a material and adverse effect on our business and prevent us from paying our OEMs, ODMs, suppliers or employees, receiving payments from our customers or performing other information technology or administrative services on a timely or accurate basis.

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

The development, manufacture and marketing of children's products may be subject to product liability claims. We may be subject to product liability claims in the event that any of our products is alleged to have a defect which causes harm or damage to a consumer, and we may, as a result, have to expend significant financial and managerial resources to defend against such claims. We believe that such product liability claim risks will increase as legal concepts in product liability claims begin to develop and mature in the PRC. Currently, we do not maintain product liability insurance coverage. Though we were not subject to any material product recalls, major complaints against our products, or any material amount of sales return during the Track Record Period and as at the Latest Practicable Date, we cannot provide any assurance that our business, results of operations and prospects will not be negatively affected by a successful product liability claim against us in the future. In addition, we do not maintain third-party liability insurance against claims for property damage or personal injury. Regardless of the ultimate merits of a claim or dispute, we may face significant costs and expenses to defend against such claims or enter into settlement agreements, and we may suffer serious damage to our reputation, be subject to material monetary damages and be subject to government investigations. In such cases, it may lead to fines and sanctions against us and which may result in negative public perception of our brands, all of which could have a material and adverse effect on our business, prospects, financial condition and results of operations.

RISKS RELATING TO THE CHILDREN'S PRODUCT INDUSTRY

We operate in a very competitive market and the intense competition we face may result in a decline in our market share and lower profit margins

The industry of children's products is characterized by intense competition. We compete against large global companies, as well as regional and local companies, in almost each of the regions in which we operate. In most product categories, we compete not only with other widely advertised branded products, but also with private label, store and economy brand products that are generally sold at lower prices. Competition in our product categories is based on the following factors:

- brand recognition and loyalty;
- business model;
- product quality;
- effectiveness of marketing, promotional activity and the ability to identify and satisfy consumer preferences;
- product innovation;
- price; and
- distribution and availability of products.

From time to time, in order to protect our existing market share or capture increased market share, we may need to improve our brand recognition and product value proposition, and increase our spending on marketing, advertising and new product innovation. The success of marketing, advertising and new product innovation is subject to risks, including uncertainties about trade and consumer acceptance. We may also need to reduce prices for some of our products in order to respond to competitive and customer pressures and to maintain our market share. Competitive and customer pressures may also restrict our ability to increase prices, including in response to commodity and other cost increases. Our business will suffer if profit margins decrease, either as a result of a reduction in prices or an increase in costs with an inability to increase prices proportionally. Though we have not experienced the aforesaid problem, there is no guarantee that such problem will not happen to us in future.

In addition, the PRC's accession to the World Trade Organization, or WTO, may result in further changes to and developments in our industry, such as the removal of entry barriers for international brands and reduction of import tariffs, all of which may result in greater competitive pressures on our business.

Furthermore, to the extent that general concern about the safety of children's products negatively impacts the industry, it could tarnish our image and negatively impact our business even if our products are not specifically involved. Also, as the PRC's population continues to age, the percentage of the total population consisting of children may decrease due to the PRC's one child policy and thereby adversely impact the size of the children's product market.

Our industry has historically experienced seasonality, which we expect to continue. This could cause our operating results to fluctuate

Our results of operations are affected by seasonal fluctuations in demand for children's products. We experience higher sales from October through the Chinese New Year holidays, in particular during the fourth quarter. In these periods we sell apparel, footwear and accessories for the autumn and winter seasons, which normally command higher unit prices compared to our offerings for the spring and summer seasons. Unexpected and abnormal changes in weather may also affect the sales of our products that are timed for release in a particular season. Furthermore, our sales are also affected by national holidays, such as the Chinese New Year holidays in the early spring, the Labor Day holiday in early May and the National Day holidays in early October. We usually record higher sales during these holidays. As a result, we believe that comparisons of our operating results and net profit over any interim periods may not be meaningful.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Fluctuations in consumer spending caused by changes in macro economic conditions in the PRC may significantly affect our business and financial performance

Our sales and growth are dependent on consumer consumption and the continued improvement of macroeconomic conditions in the PRC, where all of our revenues have been generated in the past and are expected to be generated in the future. There are many factors affecting the level of consumer spending, including but not limited to, interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. In addition, we believe that our historical growth rates were largely dependent on the general growth of the PRC economy. We can provide no assurance that the PRC will continue to grow at historical rates, or at all, and any slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect our prospects and operating results.

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, growth strategies, operating results and financial condition

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. 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, we cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC Government continues to play a significant role in regulating industrial development, 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 direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. The China Banking Regulatory Commission earlier this year began implementing restrictions on bank lending. Stricter lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. 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.

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

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- 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 conversion may limit our operating subsidiaries' ability to remit dividends and other payments to us and limit our ability to utilize our revenue and funds effectively

At present, the Renminbi is not freely convertible to other foreign 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 the 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 that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with the SAFE, and repayment of loan principal, direct capital investment and investment in negotiable instruments are also subject to restrictions. Under our current Group structure, our source of funds will primarily consist of dividend payments by our subsidiaries in the PRC denominated in RMB. 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 PRC subsidiaries 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 the Shares, could be materially adversely affected. Further, restrictions on the convertibility of the Renminbi for capital account transactions could also affect the ability of our PRC subsidiaries to make investment overseas or to obtain foreign exchange funds through debt or equity financing, including by means of loans or capital contribution from us.

Fluctuations in foreign exchange rates may adversely affect our financial condition and results of operations

The value of the Renminbi against other foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. Under the past unified floating exchange rate system pegging the value of the Renminbi to the US dollar, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which has generally been stable. However, the PRC Government reformed the exchange rate regime on July 21, 2005 by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the Renminbi appreciated against the Hong Kong and US dollars by approximately 2.0% on the same date. On September 23, 2005, the PRC Government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

There has been pressure from foreign countries on the PRC recently to adopt a more flexible foreign exchange system that could lead to further appreciation of the Renminbi. The Renminbi may be revalued further against the US dollar or other currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. It is uncertain if the exchange rates of Hong Kong and US dollars against Renminbi will further fluctuate. Since we purchase a significant portion of the other products for infants, children and mothers from overseas suppliers, any depreciation of RMB could possibly increase the cost of importing these products, and if we are unable to pass on the increased cost to our customers or authorized third-party retailers by selling our products at higher prices, our results of operations may be adversely affected. Also, since our revenues and profits are denominated in Renminbi, any depreciation of Renminbi would materially and adversely affect our financial position and the value of, and any dividends payable on, our Shares in foreign currency terms.

We are a holding company that relies heavily on dividend payments from our subsidiaries for funding

The PRC laws require that dividends be paid only out of the net profit calculated according to the generally accepted accounting principles in the PRC, which differ from the generally accepted accounting principles in other jurisdictions. The PRC laws also require foreign-invested or domestic-funded enterprises, such as Shanghai Boshiwa, Rongchen Consulting or Boshiwa Enterprise, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. As a result, our ability to pay dividends will be restricted by the prevailing PRC laws.

In addition, we are incorporated in the Cayman Islands and holds interests in our subsidiaries in the PRC through Kingman Holdings, a BVI incorporated company, and Pacific Leader, a Hong Kong incorporated company. Under the existing PRC Enterprise Income Tax Law (the "**EIT Law**"), if a foreign entity is deemed to be a "non-resident enterprise" as defined under the EIT Law and its implementation rules and (i) it has no establishment or premise in the PRC, or (ii) it has an establishment or premise in the PRC, but its income sourced within the PRC has no real connection with such establishment or premise, a withholding tax at the rate of 10% will be applicable to any dividends for earnings of its PRC subsidiaries accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise, such as Shanghai Boshiwa, in the PRC to its shareholder(s) incorporated in Hong Kong, such as Pacific Leader, may be subject to a withholding tax at the rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. Accordingly, dividends paid by Shanghai Boshiwa to Pacific Leader are subject to the withholding tax at the rate of 5%. Under Circular 124 issued by the PRC State Administration of Taxation (the "**SAT**") on August 24, 2009 and effective on October 1, 2009, a non-resident enterprise needs to obtain approval from the competent local branch of the SAT in order to enjoy the preferential withholding tax rate on dividends under tax treaties. In addition, the SAT issued Circular 601 on October 27, 2009, which addresses which entities are treated as "beneficial owners" eligible for tax benefits under the tax treaties on dividends, interest and royalties. According to Circular 601, the PRC tax authorities must evaluate whether an applicant (income recipient) qualifies as a "beneficial owner" on a case-by-case basis based on the "substance over form" principle. It is possible, based on these principles, that the PRC tax authorities would not consider our Hong Kong subsidiary Pacific Leader as the "beneficial owner" of any dividends paid from our PRC subsidiary Shanghai Boshiwa and thus would deny the claim for the reduced withholding tax rate. Under the current PRC tax laws, this would result in dividends from Shanghai Boshiwa to Pacific Leader being subject to the PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to receive more net dividends.

We may be deemed as a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.

Under the EIT Law, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation rules of 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 promulgated a circular to clarify the criteria to determine whether the "de facto management bodies" are located within the PRC for enterprises incorporated overseas with controlling shareholders being PRC enterprises.

The EIT Law and its implementation rules are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to resident enterprise issues. As substantially all of our management is currently 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. In that case, however, dividend income we receive from our PRC subsidiaries may be exempt from PRC enterprise income tax because the EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from 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 such PRC enterprise income tax exemptions or reductions.

Additionally, even if we or our overseas subsidiaries are considered as non-resident enterprises under the EIT Law, if our Hong Kong subsidiary, Pacific Leader, directly transfers the equity interest in Shanghai Boshiwa, we would be subject to the PRC enterprise income tax at the rate of 10% for the gains received in such transfer, and, under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise* (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (Circular Guoshuihan [2009] No. 698) ("Circular 698") issued by the State Administration of Taxation* (國家稅務總局) on 10 December 2009, if we or any of our overseas subsidiaries indirectly transfer the equity interests in our PRC subsidiaries at the overseas holding companies level, we may be subject to examinations by our PRC subsidiaries' tax authorities and may be subject to the PRC enterprise income tax rate of 10%. See "—Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to PRC income taxes" below.

Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to PRC income taxes

Under the EIT Law and its implementation rules, any gain realized by "non-resident enterprises" is subject to 10% income tax to the extent such gain is sourced within the PRC and (i) such "non-resident enterprise" has no establishment or premise in the PRC, or (ii) it has an establishment or premise in the PRC, but its income sourced within the PRC has no real connection with such establishment or premise, unless otherwise exempted or reduced by tax treaties. The EIT Law and its implementation rules are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to identification of PRC-sourced income. If we are recognized as a PRC resident enterprise under the EIT Law by the PRC tax authorities, our foreign Shareholders that are "non-resident enterprises" may become subject to a 10% income tax under the EIT Law as to the capital gains realized from sales of our Shares by and dividends distributed to such foreign Shareholders as such income may be regarded as income from "sources within the PRC", unless any such foreign Shareholder is qualified for a preferential income tax rate or tax exemption under a tax treaty or tax law, and we may be required to withhold such income tax on the dividends payable by us to such foreign Shareholders.

If the PRC tax authorities recognize us as a PRC resident enterprise under the EIT Law, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with Circular 124, issued by the SAT on August 24, 2009. It is likely that eligibility will be based on a substantive analysis of the Shareholder's tax residency and economic substance. With respect to dividends, the beneficial ownership tests under Circular 601 will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to PRC tax rates higher than the preferential tax rates under the relevant tax treaties on capital gains realized from sales of our Shares and on dividends on our Shares.

In such circumstances, the value of such foreign Shareholders' investment in our Offer Shares may be materially and adversely affected.

Similarly, Circular 698 provides that except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company ("Indirect Transfer") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC enterprise income tax.

It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against, our Directors or our senior management members who reside in the PRC

Substantially all of our operating assets, officers and directors are located in the PRC. Accordingly, it may not be possible for investors to effect service of process upon these persons or to enforce against them court judgments obtained outside of the PRC, as the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries, including the United States, the United Kingdom, Japan and the Cayman Islands. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The PRC legal system is not fully developed and 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 based on written statutes, and prior court decisions can only be cited as reference and are of limited 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, as these laws and regulations have not yet been fully developed, and because of the limited volume of published cases and their limited precedential value, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty. Some of these laws, rules and regulations may be changed without being immediately published or may be amended with retroactive effect. In addition, some government authorities may not consistently apply regulatory requirements issued by themselves or other PRC government authorities, making strict compliance with all regulatory requirements impractical. Even if we endeavor to comply with relevant laws and regulations, we may not always be able to do so due to lack of detailed implementation rules by relevant government authorities. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, that may have a retroactive effect. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties 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.

Our business could be materially and adversely affected by intellectual property rights disputes

Infringement of trademarks and counterfeiting of products is not uncommon in the PRC. Although we rely on the registration of trademarks to protect our intellectual property rights, there is no assurance that this measure will be sufficient to prevent any misappropriation of our intellectual property, or that our competitors will not independently develop designs that are substantially similar to ours. The legal framework governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC differs from those in other more developed jurisdictions such as the United States and United Kingdom. In the event that the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, we could suffer losses due to the weakening of our competitive edge and the sales of competing products that exploit or infringe our intellectual property. In addition, we may in the future have to initiate legal proceedings in order to safeguard our intellectual property rights, which will require us to incur legal costs and divert the efforts of our management. If we do not succeed in these proceedings, we may lose our proprietary rights over our intellectual properties.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are particularly susceptible to floods, earthquakes, sandstorms and droughts. Our business, financial condition and results of operations may be materially and adversely affected if such natural disasters occur. Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees, our facilities, the sales channels operated by authorized third-party retailers and distributors and our markets, any of which could materially and adversely affect our sales, cost of sales, overall operating results and financial condition. The potential for war or terrorists attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict. In addition, certain Asian countries, including the PRC, have encountered epidemics such as SARS, or incidents of the avian flu. Meanwhile, there's the possibility that the situation of the global spreading of the H1N1 flu is going to get worse. Past occurrences of epidemics have caused different degrees of damage to the national and local economies in the PRC. A recurrence of an outbreak of SARS, avian flu or any other similar epidemic, or the deterioration of the H1N1 flu, could cause a slowdown in the levels of economic activity generally, which could in turn adversely affect our results of operations and the price of the Shares.

Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations

On October 21, 2005, the SAFE issued a public notice, or the SAFE Circular No. 75, which became effective on November 1, 2005. The SAFE Circular No. 75 requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the notice as an "overseas special purpose company", outside of the PRC for the purpose of overseas capital financing based on its assets or interest in China, and to register again after they contribute the assets of or their equity interests in a domestic enterprise into such overseas special purpose company or engage in overseas financing after contributing such assets or equity interests into such overseas special purpose company. Also, any change of shareholding or any other material capital alteration in such overseas special purpose company involving no round-trip investment shall be registered or filed within 30 days starting from the date of such shareholding transfer or capital alteration. The SAFE subsequently issued relevant guidance with respect to the operational process for the SAFE registration under the SAFE Circular No. 75, which standardized more specific and stringent supervision on the registration relating to the SAFE Circular No. 75 and imposed obligations on onshore subsidiaries of overseas special purpose companies to coordinate with and supervise the beneficial owners of such overseas special purpose companies who are PRC residents to complete the SAFE registration process. Our PRC legal advisers, Haiwen & Partners, have confirmed that Mr. Zhong, who is a PRC resident and one of the beneficial owners of our Company, has completed the SAFE registration in respect of his investment in our Group in accordance with the PRC laws. If our beneficial owners who are PRC residents fail to make their SAFE registrations or timely amend their SAFE registrations pursuant to the SAFE Circular No. 75 or any future beneficial owners of our Company who are PRC residents fail to comply with the registration procedures set forth in the SAFE Circular No. 75, such failure may subject the beneficial owners or our PRC subsidiaries to fines and legal sanctions, limit our PRC subsidiaries' ability to distribute dividends, repay foreign loans or make other outbound payments, limit our ability to make capital contributions, or foreign exchange-denominated loans to our PRC subsidiaries or other inbound payments or otherwise adversely affect our business operations.

PRC regulation of loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals or registrations. For example, loans by us to our wholly owned PRC subsidiary Shanghai Boshiwa cannot exceed statutory limits and must be registered with the SAFE or its local branches. We may also decide to finance our PRC subsidiaries through capital contributions. According to the relevant PRC regulations on foreign-invested enterprises, depending on the amount of total investment and the type of business in which a foreign-invested enterprise is engaged, capital contributions to foreign-invested enterprises in China are subject to approval by the MOFCOM or its local branches. We may not obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

New labor laws in the PRC may adversely affect our results of operations

As of June 30, 2010, we had 1,282 employees in the PRC. The Standing Committee of the National People's Congress adopted the PRC Labor Contract Law on June 29, 2007 which became effective on January 1, 2008 and the State Council passed the Implementation Rules of the PRC Labor Contract Law on September 18, 2008. The PRC Labor Contract Law and its implementation rules impose requirements relating to, among others, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract. It also provides that social insurance is required to be paid for the employees and the employees are entitled to unilaterally terminate the labor contract if this requirement is not being satisfied. In addition, under the newly promulgated Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which became effective on January 1, 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees' years of services. Employees who waive such vacation time at the request of the employers shall be compensated for three times their normal daily salaries for each vacation day being waived.

Pursuant to the PRC Labor Contract Law and its implementation rules, our PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have worked for them for more than ten consecutive years or, unless otherwise provided in the PRC Labor Contract Law and its implementation rules, for whom a fixed term employment contract has been concluded for two consecutive terms since January 1, 2008. We may not be able to efficiently terminate non-fixed term employment contracts under this new law and its implementation rules without cause. In addition, we are also required to make severance payments to employees under the fixed term contracts upon the expiration of their employment contracts, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. Generally, the amount of severance payment is calculated based on the monthly wage of the employee multiplied by the number of years that the employee was employed by the employer, unless the employee's monthly wage is greater than three times the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. Thus, compliance with the relevant labor laws and regulations may substantially increase our operating costs and may have a material and adverse effect on our results of operations. In particular, an increase in the labor costs in the PRC will increase our operating costs and we may not be able to pass these increases on to our customers due to competitive pricing pressures. We cannot assure you that any employment disputes or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

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

Our Shares are not listed on any stock exchange or organized trading market, including in the PRC. Prior to the Global Offering, there has not been a public market for our Shares. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. The Offer Price of the Shares will be determined through negotiations between us and the Joint Bookrunners (on behalf of themselves and the other underwriters of the Global Offering), and it may not necessarily be indicative of the market price of the Shares after the Global Offering is complete. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares. In addition, as there will be a five Business Day gap between the pricing and trading of the Shares offered in the Global Offering, the initial trading price of our Shares could be lower than the Offer Price due to a variety of reasons including material negative events affecting us.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders

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, and timing of, our future revenues 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 products companies.

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 Shares regardless of our operating performance or prospects.

The sale or availability for sale of substantial amounts of our Shares could materially and adversely affect their market price

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 and could materially impair our future ability to raise capital through offerings of our Shares. There will be 2,000,000,000 Shares outstanding immediately after the Global Offering, assuming the Over-allotment Option is not exercised and no outstanding stock options were exercised prior to the Latest Practicable Date. Although we and certain of our Shareholders, subject to certain exceptions, have agreed to a lock-up with the Underwriters until six months after the date of this prospectus, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up represent approximately 32.665% of the total issued share capital immediately after the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately after the Global Offering.

Prior dividends distributions are not an indication of our future dividend policy

We were incorporated on March 24, 2009 and pursuant to the resolutions of Directors' meetings dated July 15, 2009 and June 30, 2010, we declared dividends of approximately RMB2.8 million and RMB257.0 million, respectively. We intend to pay the declared dividends to our Shareholders prior to the Listing. As of July 31, 2010, the amount of our unpaid but declared dividend was approximately RMB148.0 million, of which approximately RMB40.0 million is expected to be paid with bank loan we may borrow under the RMB100.0 million credit line agreement with Bank of Communication Co., Ltd. and the remaining amount with our cashflows generated from operating activities.

The foregoing dividend distributions are to our Shareholders prior to the Global Offering only. Historical dividend distributions are not indicative of our future distribution policy and we can 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, including (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 "We are a holding company that relies heavily on dividend payments from our subsidiaries for funding" above. For further details of our dividend policy, please see the section headed "Financial information—Dividend policy" in this prospectus.

The interests of our Controlling Shareholders may not always coincide with our interests and our other Shareholders, and the Controlling Shareholders may exert significant control or substantial influence over us and may take actions that are not in, or may conflict with, public Shareholders' best interests

The Controlling Shareholders will control the exercise of voting rights of 30.12% of the Shares eligible to vote in our general meeting immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, the Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to control actions which do not require the approval of independent shareholders. Subject to our Memorandum and Articles as well as the Companies Law, the Controlling Shareholders will also be able to control the election of our Directors, alter our share capital, make amendments to our Memorandum and Articles, determine the timing and amount of our dividends, if any, and pass resolutions to acquire or merge with another company not connected with the Controlling Shareholders. The Controlling Shareholders may cause us to take actions that are not in, or may conflict with, the interests of us or the public Shareholders. In the case where the interests of the Controlling Shareholders conflict with those of our other Shareholders, or if the Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by the Controlling Shareholders and the price of the Shares could be adversely affected.

Investors will experience immediate and substantial dilution as a result of the Global Offering

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

Future sales or a major divestment of Shares by any major Shareholder could materially and adversely affect our Share price

Future sales, disposals, or other transfers of a substantial number of our Shares by our current Shareholders in public markets, or any prospects or possibilities of such sales, disposals or other transfers, as to or against which the holders of our Shares may or may not have a right to vote or veto, could adversely affect the market price of our Shares and our ability to raise equity capital in the future at a time and price we deem appropriate. There can be no assurance that any of our major Shareholders will not sell, dispose of or otherwise transfer any Shares they may own now or in the future at the completion of the applicable lock-up periods.

Shareholders' interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance further expansion of our capacity and business. 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.

Investors should not place undue reliance on industry and market information and statistics from official government publications contained in this prospectus

This prospectus contains information and statistics derived from official government publications, including but not limited to information and statistics relating to the PRC, and the children's products industry and market. We believe that the sources of these information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We cannot ensure the accuracy of such information and statistics and such information may not be consistent with other information publicly available or available from other sources. Prospective investors should not place undue reliance on any of such information and statistics contained in this prospectus.

Investors should not place undue reliance on information derived from the research report contained in this prospectus

This prospectus contains information derived from the research report by Frost & Sullivan, including but not limited to information and statistics relating to the PRC and the children's products industry and market. 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 us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Prospective investors should not place undue reliance on any of such information contained in this prospectus.

The costs of share options to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders

We have adopted the Share Option Scheme pursuant to which we will in the future grant to our employees options to subscribe to Shares. Such options if exercised in full will represent approximately 10% of our issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative affect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share.

Details of the Share Option Scheme and the options granted thereunder are set out in the sections headed "Share Option Scheme" in Appendix VI to this prospectus.

You may face difficulties in protecting your interests under Cayman Islands law

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against the 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 and our Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that 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 Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of other jurisdictions.

Investors should read the entire Prospectus carefully and should not consider any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus

There may have been prior to the publication of this Prospectus, and there may be subsequent to the date of this Prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. For example, the August 7, 2010 edition of Ming Po Daily (明報), Apple Daily (蘋果日報), Wen Wei Po (文匯報), Hong Kong Daily News (新報) and several other newspapers contained articles which reported on the Listing, including the proposed offering size, the tentative listing timetable, our business operations and coverage, and our target customers. We have not authorized the disclosure of any such information in the press or other media. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares or the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions on whether to invest in our Shares or in the Global Offering. You should rely solely upon the information contained in this Prospectus, the application forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares.