OUR ORIGIN AND HISTORY

We traced our origins to 1997 when Shanghai Boshiwa was established as a sino-foreign joint venture enterprise by Shanghai Rongchen Group, a state-owned enterprise, and Shanghai Shangshi, a company wholly-owned by Shanghai Industrial Investment (Holding) Co., Ltd. (香港上海實業(集團)有限公司), both of whom are Independent Third Parties. Shanghai Boshiwa was formed to primarily provide OEM production and processing services for children's apparel and accessories. The shareholdings held by Shanghai Rongchen Group and Shanghai Shangshi in Shanghai Boshiwa were 50% and 50%, respectively. Shanghai Rongchen Group created the Boshiwa brand in 1996 and injected the Boshiwa brand to Shanghai Boshiwa as part of its contribution to the registered capital of Shanghai Boshiwa at the time of the establishment of Shanghai Boshiwa.

Mr. Zhong was the chairman of the board of directors of Shanghai Rongchen Group, a former shareholder of Shanghai Boshiwa, from its establishment to July 1997. Under Mr. Zhong's leadership, Shanghai Rongchen Group and Shanghai Shangshi jointly established Shanghai Boshiwa in 1997. Mr. Zhong became the chairman of the board of directors of Shanghai Boshiwa in 1997 and oversaw the overall management and development of Shanghai Boshiwa, and gained a strong understanding of the children's apparel and accessories industry and consumer market in China.

While Shanghai Boshiwa primarily provided OEM production and processing services for children's apparel and accessories in 1997, it began to rebuild its business model to develop its own brands starting with the Boshiwa brand with the goal of creating a well-known national children's apparel and accessories brand with significant market share in China. In 1997, Shanghai Boshiwa began to develop retail network in cities across China to promote and sell children's apparel and accessories under the Boshiwa brand at concessions in department stores. In 1997, Shanghai Boshiwa also began to develop distribution agreements with certain authorized third-party retailers in order to more efficiently implement its sales strategy. Such distribution agreements enabled Shanghai Boshiwa to increase its brand awareness and further penetrate into the children's apparel and accessories market in China. Shanghai Boshiwa began to engage in selling Boshiwa brand products under self-managed or authorized third-party retail outlets; however, OEM business remained as part of Shanghai Boshiwa's business until 2008.

To further expand our brand portfolio, we registered the Dr. Frog brand in Japan and Hong Kong in 2005 and the Baby^2 brand in Japan in 2009. We have also extended our brand portfolio from self-owned brands to licensed brands since 2005. In order to capture the market for products based on popular cartoon series and sports in the PRC, we entered into various license agreements and arrangements with Warner Bros. Consumer Products Inc., SMG, NBA Sports and Culture Development (Beijing) Co., Ltd., PPW Sports and Entertainment (Hong Kong) Limited, Hit Entertainment Limited and Gullane (Thomas) Limited in September 2005, August 2006, December 2009, August 2010, August 2010 and August 2010, respectively, for granting of licenses to develop, manufacture or source, and/or sell a range of children's apparel, accessories and other children's products in the PRC, using the Harry Potter, Prince of Tennis, NBA, Barcelona, Juventus, Manchester United, Bob the Builder and Thomas and Friends brands and certain standard characters of these series. The license arrangements also permit us to operate physical retail outlets to sell our products to consumers during the terms of the respective license arrangements. For details of the various license arrangements, please refer to the paragraph headed "Brands of our children's apparel, footwear and accessories" under the Business section.

From 2007, we began to distribute, under agency or distribution agreements, well-known children's and maternity products under brands such as CHUCHU, Atopita, PIP Baby, Marusan, Curash and Milk Baby from Japan, Australia and other regions. We also have distribution agreements to sell a large number of children's products with internationally recognized brands, such as Combi, Aprica, Pigeon, Nuk, Wakodo and Pampers, through our sales channels.

We increased the number of our concessions at department stores steadily throughout the years since 1997, starting from approximately 20 in 1997 to 859 at the end of December 31, 2009. In order to further develop our retail network and to meet the demand for high-quality children's products near affluent residential neighbourhoods in major cities, we opened our first Boshiwa 365 store in August 2004 in Changning District of Shanghai and our first Boshiwa street shop in Xuhui District of Shanghai in April 2009. With a larger size, Boshiwa 365 stores and street shops allow us to display a full line of our products and more flexibility to carry out promotional activities, respectively, than our concessions in department stores. We also opened our first online store in 2008. With our determination to establish an integrated and innovative sales platform with diversified sales channels and to promote our "one-stop" shopping concept, we opened our first flagship store in November 2009 in Songjiang District of Shanghai.

In 2008, with the restructuring and repositioning of Shanghai Boshiwa, we had disposed of all our manufacturing facilities and OEM business and we had successfully transformed ourselves to a branded children's products developer and retailer. We decided to dispose of our OEM business and focus on the design, sourcing and marketing of children's products as the demand for branded products in the PRC had been increasing and our revenue from branded products had also been increasing substantially. We currently outsource all the production of our children's apparel and accessories under our self-owned brands and licensed brands to various domestic and overseas OEMs and ODMs. We also procure other children's products from domestic and overseas suppliers. We believe this strategy enables us to focus on key stages of the product life cycle, such as product design and development, brand promotion and management and sales and marketing, and allows us to maximize the return on our assets. Moreover, this strategy has also enabled us to avoid direct exposure to operational and financial risks and expenses of operating production facilities and managing labor.

We have established relationships with our OEMs and ODMs, suppliers of other children's products and authorized third-party retailers and distributors as we have been in the children's apparel industry since 1997. As our business scale continuously expanded, there were OEMs, suppliers and authorized third-party retailers which introduced and presented themselves to us. We decided to establish relationships with some of them after considering their qualifications and conditions.

To further expand our business, we set up two subsidiaries, Rongchen Consulting and Boshiwa Enterprise, in 2004 and 2009, respectively. Rongchen Consulting currently does not engage in any operations and we plan to engage it in corporate marketing planning in the future. Boshiwa Enterprise is mainly engaged in the opening of new retail outlets.

BUSINESS MILESTONES

Adhering to the principle of "caring for children, and bringing joy to children" and dedicated to the commitment of "improving children's living environment and living standards", our Group engages in the design, sourcing and marketing of children's products in the PRC markets. Our Group is now a leading and fast-growing developer and retailer of children's products in the PRC. The following table summarizes various milestones in the development of our business:

Year	Event
1996	Shanghai Rongchen Group, one of the initial shareholders of Shanghai Boshiwa, created the Boshiwa brand.
1997	Shanghai Boshiwa was established with a registered capital of US$12 million.
	The first concession in a department store to sell Boshiwa branded products was set up.
2004	We opened our first Boshiwa 365 store in Changning District of Shanghai in August.
2005	We registered the Dr. Frog brand.
	We entered into a license agreement with Warner Bros. Consumer Products Inc. to develop, manufacture, distribute and sell products under the Harry Potter brand.
2006	We entered into a license agreement with SMG to design, manufacture, distribute and sell products under the Prince of Tennis brand.
2008	We created the Baby^2 brand.
2009	We opened our first Boshiwa street shop in Xuhui District of Shanghai in April.
	We opened our first flagship store in Songjiang District of Shanghai in November.
	We entered into a license arrangement with NBA Sports and Culture Development (Beijing) Co., Ltd. to distribute and sell products under the NBA brand.
2010	We entered into three license agreements with PPW Sports and Entertainment (Hong Kong) Limited to design, manufacture and sell products under the Barcelona brand, the Juventus brand and the Manchester United brand, respectively.
	We entered into a license agreement with Hit Entertainment Limited to design, manufacture and sell products under the Bob the Builder brand.
	We entered into a license agreement with Gullane (Thomas) Limited to design, manufacture and sell products under the Thomas and Friends brand.

SHAREHOLDING HISTORY

(1) Shareholding history of our PRC operating subsidiaries

Shanghai Boshiwa

Shanghai Boshiwa was established in 1997 as a sino-foreign joint venture enterprise by Shanghai Rongchen Group, a state-owned enterprise, and Shanghai Shangshi, a company wholly-owned by Shanghai Industrial Investment (Holdings) Co., Ltd. (香港上海實業(集團)有限公司), a Hong Kong company which was fully-funded by the Shanghai Municipality, both of whom are Independent Third Parties.

On December 18, 2002, pursuant to a share transfer agreement entered into between Shanghai Rongchen Group and Shanghai Agricultural, a state-owned enterprise, Shanghai Rongchen Group agreed to transfer 50% of the equity interests in Shanghai Boshiwa to Shanghai Agricultural at a consideration of RMB59.78 million. The consideration was determined with reference to 90% of

Shanghai Boshiwa's audited net assets as of December 31, 2001. Shanghai Agricultural in turn transferred its 50% equity interests in Shanghai Boshiwa to Shanghai Chenghuang by way of "state-owned assets appropriation" (國有資產劃撥形式). Shanghai Chenghuang was a subsidiary of Shanghai Agricultural. The above transfers were approved on December 26, 2002 by the Shanghai Farm Authority (上海市農場管理局), which is the direct administrative authority of Shanghai Agricultural and Shanghai Rongchen Group, a subsidiary of Shanghai Agricultural. As confirmed by our Company, the approval issued by the Shanghai Foreign Investments Working Committee (上海市外國投資工作委員會) (the "**Shanghai Committee**") regarding the above transfers cannot be located due to the passage of time. However, as advised by our PRC legal advisers, Haiwen & Partners, based upon their review of the Certificate of Approval for Foreign-Invested Enterprises subsequently issued by the Shanghai Municipal People's Government to Shanghai Boshiwa which shows that Shanghai Boshiwa was owned by Shanghai Chenghuang and Shanghai Shangshi as to 50% respectively, as well as their review of documents or government approvals with regard to the subsequent equity transfers in Shanghai Boshiwa, they are of the view that the fact that the approval issued by the Shanghai Committee regarding the above transfers cannot be located shall have no adverse effect on the equity interests currently held by Pacific Leader in Shanghai Boshiwa. Upon completion of the above transfers, Shanghai Boshiwa was owned as to 50% by Shanghai Chenghuang and 50% by Shanghai Shangshi.

On September 24, 2004, pursuant to a share transfer agreement entered into between Shanghai Shangshi and Zhongrong Trust, a PRC trust company which held 10% of the equity interests in Shanghai Boshiwa on trust for the benefit of Mr. Zhong who was the chairman of the board of directors of Shanghai Boshiwa, Shanghai Shangshi agreed to transfer 10% of the equity interests in Shanghai Boshiwa to Zhongrong Trust at a consideration of approximately RMB12.46 million. The consideration was determined with reference to Shanghai Boshiwa's audited net assets as of December 31, 2003. The transfer was approved by the Shanghai Committee on December 10, 2004. Mr. Zhong entered into the trust arrangement with Zhongrong Trust as Mr. Zhong, a PRC individual, was not allowed to directly hold equity interest in a sino-foreign equity joint venture such as Shanghai Boshiwa under the PRC laws and regulations at the time. As advised by our PRC legal advisers, Haiwen & Partners, the trust arrangement between Mr. Zhong and Zhongrong Trust is legal, valid and enforceable under the PRC laws and regulations. Upon completion of the above transfer, Shanghai Boshiwa was owned as to 50% by Shanghai Chenghuang, 40% by Shanghai Shangshi and 10% by Zhongrong Trust.

On September 29, 2004, pursuant to an equity exchange agreement (股權置換協議書) entered into between Shanghai Chenghuang and Shanghai Haibo, Shanghai Chenghuang agreed to exchange 50% of the equity interests in Shanghai Boshiwa for Shanghai Haibo's 4.5% equity interests in 上海牛奶(集團)有限公司 (Shanghai Dairy (Group) Limited *). The valuation was determined with reference to reports issued by an assets valuation company. Both Shanghai Chenghuang and Shanghai Haibo were subsidiaries of Shanghai Agricultural. The transfer was approved by the Shanghai Committee on December 10, 2004. Upon completion of the above transfers, Shanghai Boshiwa was owned as to 50% by Shanghai Haibo, 40% by Shanghai Shangshi and 10% by Zhongrong Trust.

It was resolved by the board of Shanghai Boshiwa in February 2005 to change its name from its former name, 上海博士蛙兒童系列產品有限公司 (Shanghai Boshiwa Children Series Products Co., Ltd.) to 上海榮臣博士蛙(集團)有限公司 (Shanghai Rongchen Boshiwa (Group) Co., Ltd.). The name change was approved by the Shanghai Committee on April 22, 2005.

On July 23, 2006, pursuant to a share transfer agreement entered into between Shanghai Haibo and Shanghai Haibo Investments, Shanghai Haibo agreed to internally transfer 50% of the equity interests in Shanghai Boshiwa to Shanghai Haibo Investments at a consideration of approximately

RMB65.85 million. The consideration was determined with reference to Shanghai Boshiwa's audited net assets as of December 31, 2005. Shanghai Haibo directly and indirectly owned 100% equity interests of Shanghai Haibo Investments. The transfer was approved by the Shanghai Committee on January 19, 2007. Upon completion of the above transfer, Shanghai Boshiwa was owned as to 50% by Shanghai Haibo Investments, 40% by Shanghai Shangshi and 10% by Zhongrong Trust.

During 2007, our Group was planning to restructure Shanghai Boshiwa from a sino-foreign equity joint venture to a wholly foreign-owned enterprise to be held by Great Dragon. Therefore, approaching the expiry of the trust arrangement between Zhongrong Trust and Mr. Zhong, on December 17, 2007, pursuant to a share transfer agreement entered into between Zhongrong Trust and Shanghai Zhixuan, a company then owned by Zhong Zhi Yong, the brother of Mr. Zhong, and Xie Hong, an Independent Third Party, Zhongrong Trust agreed to transfer 10% of the equity interests in Shanghai Boshiwa to Shanghai Zhixuan, which was subsequently transferred to Great Dragon by Shanghai Zhixuan in July 2008. The 10% of the equity interests in Shanghai Boshiwa was transferred from Zhongrong Trust to Shanghai Zhixuan at cost at a consideration of approximately RMB12.46 million as the difference between the values of the audited net assets of Shanghai Boshiwa as of December 31, 2003 and December 31, 2006 was immaterial and that Mr. Zhong's brother was a shareholder of Shanghai Zhixuan. Therefore, the consideration was mutually and commercially agreed between the parties with reference to Shanghai Boshiwa's audited net assets as of December 31, 2003. The transfer was approved by the Shanghai Committee on February 2, 2008. Upon completion of the above transfer, Shanghai Boshiwa was owned as to 50% by Shanghai Haibo Investments, 40% by Shanghai Shangshi and 10% by Shanghai Zhixuan.

On January 25, 2008, pursuant to a share transfer agreement entered into between Shanghai Shangshi and Great Dragon, Shanghai Shangshi agreed to transfer 40% of the equity interests in Shanghai Boshiwa to Great Dragon at a consideration of approximately RMB55.4 million. The consideration was determined with reference to Shanghai Boshiwa's audited net assets as of December 31, 2006 and included the distributable profits for the first half of 2007. The transfer was approved by the Shanghai Committee on March 25, 2008. Great Dragon paid the consideration in four installments and the total amount was fully settled on June 2, 2008. Upon completion of the above transfer, Shanghai Boshiwa was owned as to 50% by Shanghai Haibo Investments, 40% by Great Dragon and 10% by Shanghai Zhixuan.

On June 26, 2008, pursuant to a share transfer agreement entered into between Shanghai Haibo Investments and Great Dragon, Shanghai Haibo Investments agreed to transfer 50% of the equity interests in Shanghai Boshiwa to Great Dragon at a consideration of approximately RMB74.73 million. The consideration was determined with reference to Shanghai Boshiwa's appraised net assets valuation as of June 30, 2007. The transfer was approved by the Shanghai Committee on July 11, 2008. The total consideration was fully received by Shanghai Haibo Investments on August 15, 2008 which is considered the effective date of change of shareholding control of Shanghai Boshiwa to Great Dragon. Upon completion of the above transfer, Shanghai Boshiwa was owned as to 90% by Great Dragon and 10% by Shanghai Zhixuan.

On July 18, 2008, pursuant to a share transfer agreement entered into between Shanghai Zhixuan and Great Dragon, Shanghai Zhixuan agreed to transfer 10% of the equity interests in Shanghai Boshiwa to Great Dragon at a consideration of approximately RMB14.95 million. The consideration was determined with reference to Shanghai Boshiwa's audited net assets as of June 30, 2007. Great Dragon fully settled the consideration on August 20, 2008. The transfer was approved by the Shanghai Committee on July 31, 2008. Upon completion of the above transfer, Shanghai Boshiwa was owned as to 100% by Great Dragon.

On November 21, 2008, the registered capital of Shanghai Boshiwa was approved by the Shanghai Commerce Committee (上海市商務委員會) (the "**Shanghai Commerce Committee**") to increase from US$12 million to US$18 million and the total investment amount of Shanghai Boshiwa was approved to increase from US$24 million to US$36 million. Pursuant to the capital verification report issued by Shanghai Zhong Hui Certified Public Accountants Co., Ltd. ("**Zhong Hui CPA**") on July 16, 2009, the increase in the registered capital of Shanghai Boshiwa was fully paid as of July 14, 2009 by Great Dragon.

On August 10, 2009, pursuant to a share transfer agreement entered into between Great Dragon and Pacific Leader, Great Dragon agreed to transfer 100% of the equity interest in Shanghai Boshiwa to Pacific Leader at a consideration of US$18 million. The consideration was determined with reference to Shanghai Boshiwa's paid-in registered capital. The transfer was approved by the Shanghai Commerce Committee on September 3, 2009. On September 3, 2009, our Company allotted and issued 100,000 Shares to Great Dragon at the consideration of US$18 million (equivalent to approximately RMB140,480,000). Great Dragon settled the consideration by transferring the right to receive the US$18 million consideration in respect of the transfer of 100% of the equity interests in Shanghai Boshiwa to Pacific Leader from Pacific Leader to our Company. Upon completion of the above transfer, the liability of Pacific Leader to pay the US$18 million consideration to Great Dragon was released. Shanghai Boshiwa was then owned as to 100% by Pacific Leader.

On November 6, 2009, the registered capital of Shanghai Boshiwa was approved by the Shanghai Commerce Committee to increase from US$18 million to US$36 million and the total investment amount of Shanghai Boshiwa was approved to increase from US$36 million to US$72 million. Pursuant to the capital verification report issued by Zhong Hui CPA on January 29, 2010, the increase in the registered capital of Shanghai Boshiwa was fully paid as of January 27, 2010 by Pacific Leader.

On April 22, 2010, the registered capital of Shanghai Boshiwa was approved by the Shanghai Commerce Committee to increase from US$36 million to US$60 million and the total investment amount of Shanghai Boshiwa was approved to increase from US$72 million to US$120 million. Of the US$24 million increase in registered capital of Shanghai Boshiwa, 20% was due for payment within one month of the approval of increase by the Shanghai Commerce Committee and the rest will be due within three months of the date of the updated business license. As at the Latest Practicable Date, US$12 million out of the US$24 million has been paid by Pacific Leader in cash. Out of the remaining US$12 million of the increase in registered capital, US$10 million will be paid out of the undistributed profits of Shanghai Boshiwa and US$2 million shall be paid by cash. The cash in the amount of US$14 million was funded by the subscription money paid by TB International, BOCOM Holdings and Joyork International for the new shares in Great Dragon as set out in step (4) under the paragraph headed "Corporate Reorganization" in this section.

As set out above, the considerations in respect of the historical transfers of the equity interests of Shanghai Boshiwa were determined with reference to different basis based on different commercial considerations. As far as we are aware, the considerations were agreed among the relevant parties having taken into account different commercial reasons. Our Directors are of the view that the above transfers of the equity interests of Shanghai Boshiwa were entered into on normal commercial terms which were fair and reasonable.

Rongchen Consulting

On September 6, 2004, Rongchen Consulting was established as a limited liability company in the PRC with a registered capital of RMB1 million by Shanghai Boshiwa and Shanghai Rongli as to 90% and 10% equity interests respectively.

On September 16, 2008, pursuant to a share transfer agreement entered into between Shanghai Boshiwa and Shanghai Rongli, Shanghai Rongli agreed to transfer 10% of the equity interest in Rongchen Consulting to Shanghai Boshiwa at a consideration of RMB99,404.57. The consideration was determined with reference to Rongchen Consulting's net book assets value as of December 31, 2007. Upon completion of the above transfer, Rongchen Consulting was owned as to 100% by Shanghai Boshiwa.

Rongchen Consulting currently does not engage in any operations and we plan to engage it in corporate marketing planning in the future.

Boshiwa Enterprise

On March 24, 2009, Boshiwa Enterprise was established as a limited liability company in the PRC with a registered capital of RMB2 million by Shanghai Boshiwa.

On April 3, 2009, pursuant to the amendment to the articles of association of Boshiwa Enterprise, the registered capital of Boshiwa Enterprise was increased from RMB2 million to RMB10 million. Pursuant to the capital verification report issued by Zhong Hui CPA on April 23, 2009, the increase in the registered capital of Boshiwa Enterprise was fully paid as of April 21, 2009 by Shanghai Boshiwa.

(2) Disposal of our PRC subsidiaries and associated companies

On August 22, 2008, pursuant to a share transfer agreement entered into between Shanghai Boshiwa and Shanghai Rongbai, Shanghai Boshiwa disposed of its 60% equity interest in Shanghai Ronghua to Shanghai Rongbai for a consideration of approximately RMB1,400,000. The consideration was determined with reference to Shanghai Ronghua's net book assets value as at December 31, 2007. Shanghai Boshiwa received the consideration in November 2008. A gain of approximately RMB2,848,000 was resulted from the disposal. Shanghai Ronghua was engaged in textile dyeing and garment business before the disposal. Our Group decided to dispose of its equity interest in Shanghai Ronghua as our Group was no longer engaged in OEM business since 2008. The transfer was approved by the Shanghai Commerce Committee on December 19, 2008.

On August 22, 2008, pursuant to a share transfer agreement and a supplemental agreement entered into between Shanghai Boshiwa and Shanghai Rongbai, Shanghai Boshiwa disposed of its 60% equity interest in Shanghai Rongli to Shanghai Rongbai, for a consideration of approximately RMB9,286,960. The consideration was determined with reference to Shanghai Rongli's net book assets value as at December 31, 2007. Shanghai Boshiwa received the consideration in November 2008. A gain of approximately RMB2,318,000 was resulted from the disposal. Shanghai Rongli was engaged in textile and garment manufacturing business before the disposal. Our Group decided to dispose of its equity interest in Shanghai Rongli as our Group was no longer engaged in OEM business since 2008. The transfer was approved by the Shanghai Commerce Committee on December 19, 2008.

On August 22, 2008, pursuant to a share transfer agreement entered into between Shanghai Boshiwa and Shanghai Rongbai, Shanghai Boshiwa disposed of its 40% equity interest in Shanghai Rongfeng to Shanghai Rongbai for a consideration of approximately RMB1,299,338. The consideration was determined with reference to Shanghai Rongfeng's net book assets value as at December 31, 2007. Shanghai Boshiwa received the consideration in November 2008. A gain of approximately RMB429,000 was resulted from the disposal. Shanghai Rongfeng was engaged in cloth printing business before the disposal. Our Group decided to dispose of its equity interest in Shanghai Rongfeng as our Group was no longer engaged in OEM business since 2008. The transfer was approved by the Shanghai Commerce Committee on December 19, 2008.

On September 16, 2008, pursuant to two transfer agreements entered into between Shanghai Boshiwa and Yuan Jin Kang (袁金康) and Huang Pu (黃浦) respectively, Shanghai Boshiwa disposed of its 50% and 25% equity interest in Rongchen Knitting to Yuan Jin Kang and Huang Pu respectively, Independent Third Parties, for a consideration of approximately RMB1,473,586.09 and RMB736,793.04 respectively. The consideration was determined with reference to Rongchen Knitting's net book assets value as at December 31, 2007. Shanghai Boshiwa received the consideration in November 2008. A gain of approximately RMB1,712,000 was resulted from the disposal. Rongchen Knitting was engaged in knitting business before the disposal. Our Group decided to dispose of its equity interest in Rongchen Knitting as our Group was no longer engaged in OEM business since 2008.

On October 15, 2008, pursuant to a share transfer agreement entered into between Shanghai Boshiwa, Zhu Fang (朱放) and Huang Yun Luo (黃雲羅), Shanghai Boshiwa disposed of its 45% and 15% equity interest in Rongchen Driver Training to Zhu Fang and Huang Yun Luo, respectively, whom are Independent Third Parties, for a consideration of RMB7,650,000 and RMB2,550,000 respectively. The consideration was determined with reference to Rongchen Driver Training's net book assets value. Shanghai Boshiwa received the consideration in 2008. A gain of approximately RMB6,001,000 was resulted from the disposal. Rongchen Driver Training was engaged in driver training business before the disposal. Our Group decided to dispose of its equity interest in Rongchen Driver Training as the business of Rongchen Driver Training was not related to our Group's business.

Our Group will continue to source products from Shanghai Ronghua and Rongchen Knitting and to sell products to Shanghai Rongli as they are familiar with our product requirements and standards. We did not have any transaction with Shanghai Rongfeng and Rongchen Driver Training after the disposals.

(3) Incorporation of offshore investment vehicles and our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 24, 2009 to act as the ultimate holding company of the subsidiaries in our Group. As of the date of incorporation of our Company, its authorized share capital was HK$100,000 divided into 200,000,000 shares of HK$0.0005 par value per share.

Kingman Holdings was incorporated in the BVI with limited liability on January 8, 2009 with 50,000 authorized shares. On June 15, 2009, 50,000 shares in Kingman Holdings were allotted and issued, credited as fully paid, to our Company for a consideration of US$50,000. Kingman Holdings is the direct wholly-owned subsidiary of our Company.

Pacific Leader was incorporated in Hong Kong with limited liability on June 12, 2009 with 10,000 authorized shares of par value HK$1.00 per share. On June 12, 2009, 1 share of HK$1.00 par value per share in Pacific Leader was allotted and issued, credited as fully paid, to Bosco Consultancy Limited as the initial subscriber, which was subsequently transferred to Kingman Holdings on the same day. On June 29, 2009, 9,999 shares of par value HK$1.00 per share in Pacific Leader were allotted and issued, credited as fully paid, to Kingman Holdings for a consideration of HK$9,999. Pacific Leader is the indirect wholly-owned subsidiary of our Company.

Our Company was wholly owned by Great Dragon prior to the Corporate Reorganization and Chen Pei Qi was the sole shareholder of Great Dragon prior to the investments in Great Dragon by TB International, BOCOM Holdings, Hambo Group and Fame Trend. Chen Pei Qi is experienced in the international operations and management of textile and branded products as he has been engaging in the import and export business of textile products. He obtained a bachelor's degree in textile engineering from East China Engineering College of Spinning (上海華東紡織工學院). Chen Pei Qi, through Great Dragon, invested in our Group as he considered Shanghai Boshiwa had good prospects and development potential in the children's products industry.

FINANCIAL INVESTMENTS AND CORPORATE REORGANIZATION

(1) Financial investments by TB International

Overview

On May 30, 2008, TB International, Great Dragon and Chen Pei Qi entered into the 2008 Convertible Bonds Subscription Agreement and the 2008 Stock Subscription Agreement.

Pursuant to the 2008 Convertible Bonds Subscription Agreement, TB International agreed to subscribe for two tranches of bonds from Great Dragon. The first tranche, or the 2008 Convertible Bonds I, has an aggregate principal amount of RMB80 million and the second tranche, or the 2008 Convertible Bonds II, has an aggregate principal amount of RMB20 million (collectively, the "**2008 Convertible Bonds**"). Pursuant to the 2008 Stock Subscription Agreement, TB International agreed to subscribe for 12,500 common shares (the "**2008 Common Shares**") from Great Dragon for a consideration of RMB30 million, which represented 20% of equity interest of Great Dragon after the acquisition. The consideration was determined with reference to Shanghai Boshiwa's appraised net asset valuation as of June 30, 2007.

The proceeds of the 2008 Convertible Bonds and the 2008 Common Shares were used by Great Dragon for the acquisitions of 50% and 10% equity interests in Shanghai Boshiwa held by Shanghai Haibo Investments and Shanghai Zhixuan, respectively, and also for the purpose of increasing the general working capital of Shanghai Boshiwa. TB International had no business relationship with Chen Pei Qi or Mr. Zhong and was an Independent Third Party prior to its investment in Great Dragon. As a long term friend of Mr. Zhong, Chen Pei Qi recognized there were investment opportunities in our Group and therefore raised funds to acquire the shares of Shanghai Boshiwa through Great Dragon. As far as our Company is aware, TB International, as a private equity firm with a focus on investing in high-growth Chinese private enterprises, also appreciated the investment value and the investment opportunity in Shanghai Boshiwa. As Chen Pei Qi, through Great Dragon, had already obtained the approval to acquire 40% of the equity interests in Shanghai Boshiwa and was in the final negotiation process with the then shareholders of Shanghai Boshiwa for acquiring the remaining 60% of the equity interests of Shanghai Boshiwa at the time, TB International then agreed to provide funding to Chen Pei Qi in the acquisition of Shanghai Boshiwa by way of subscribing for the 2008 Convertible Bonds and the 2008 Common Shares from Great Dragon.

On July 6, 2009, TB International, Great Dragon and Chen Pei Qi entered into the 2009 Convertible Bonds Subscription Agreement, pursuant to which TB International agreed to subscribe for certain bonds from Great Dragon with a principal amount of RMB100 million (the "**2009 Convertible Bonds**"). The proceeds of the 2009 Convertible Bonds were used for the purpose of developing the business of Shanghai Boshiwa.

On July 21, 2009, Great Dragon re-issued 12,500 Series A Preferred Shares in Great Dragon to TB International and cancelled the 2008 Common Shares held by TB International. On February 5, 2010, TB International converted its 2008 Convertible Bonds I into 8,442 Series A Preferred Shares in Great Dragon at RMB9,476.3025 per share and converted its 2008 Convertible Bonds II into 1,965 Series A Preferred Shares at RMB10,175.8282 per share. After the conversions, TB International held in total approximately 31.42% of the issued share capital of Great Dragon.

On March 10, 2010, TB International subscribed for 2,225 new Series A Preferred Shares, Joyork International subscribed for 5,340 new common shares and BOCOM Holdings subscribed for 445 new common shares in Great Dragon. TB International paid a consideration of RMB27,466,423, representing a purchase price of approximately RMB12,344.4597 per shares. After the share subscriptions by the various parties, TB International's equity interest in Great Dragon was slightly diluted to 31.06%.

On March 16, 2010, TB International converted its 2009 Convertible Bonds into 8,101 Series A Preferred Shares in Great Dragon at a price of RMB12,344.4 per share, thereby increasing TB International's equity interest in Great Dragon to 37.33%.

On September 8, 2010, TB International converted all of the Series A Preferred Shares held by it in Great Dragon to 33,233 common shares of Great Dragon. After the conversion, TB International no longer held any Series A Preferred Shares in Great Dragon.

On September 8, 2010, our Company, Great Dragon, Joyork International, TB International, Hambo Group, Fame Trend and BOCOM Holdings entered into a share swap agreement (the "**Share Swap Agreement**") pursuant to which (i) all common shares in Great Dragon held by each of TB International, Hambo Group, Fame Trend and BOCOM Holdings were transferred to Joyork International; and (ii) as a consideration, Great Dragon transferred 74,660 Shares, 24,580 Shares, 19,440 Shares and 1,000 Shares it held in our Company to each of TB International, Hambo Group, Fame Trend and BOCOM Holdings (the "**Share Swaps**"). Upon completion of the Share Swaps on September 8, 2010, each of TB International, Hambo Group, Fame Trend and BOCOM Holdings ceased to have any interest in Great Dragon and Great Dragon became wholly-owned by Joyork International. At the same time, each of TB International, Hambo Group, Fame Trend and BOCOM Holdings became a shareholder of the Company.

As of the Latest Practicable Date, TB International was holding a total of 74,660 Shares in the Company, which, on a fully diluted basis, constitute approximately 37.33% of the issued share capital of our Company immediately prior to Listing. Based on the indicative offer price range, the purchase price paid by TB International for the equity interest in our Company represents a discount of approximately 89.4% to HK$4.43 per share, being the mid point of the stated offer price range.

Apart from being an institutional investor of the Group and save as disclosed in this section, TB International had no role in our Group nor any influence or control over the management and operation of our Group during the three years ended December 31, 2009 and the six months ended June 30, 2010. In addition, the director nominated by TB International to the board of directors of our Company is only a non-executive Director. TB International will remain as an institutional investor of our Group and will not have any influence or control over the management and operation of our Group going forward.

Information regarding TB International

TB International is controlled by Trustbridge Partners, a private equity firm with a focus on high-growth Chinese private enterprises. As confirmed by the partners of Trustbridge Partners, as of December 31, 2009, it had more than US$1 billion under management in three investment funds which are principally engaged in investments across a broad range of sectors, and that as at the Latest Practicable Date, its investment funds or TB International do not engage in any competing business with us or have equity interest in any other companies engaging in any competing business with us.

Principal terms of 2008 investment by TB International

TB International is entitled to convert any portion of the 2008 Convertible Bonds into Series A Preferred Shares of Great Dragon before the repayment date of such bonds, which is 2 years from their respective closing date for an agreed percentage of equity interest of Great Dragon. Please refer to the relevant disclosure above for details of conversion of the 2008 Convertible Bonds.

Pursuant to the 2008 Convertible Bonds Subscription Agreement, unless the 2008 Convertible Bonds have been otherwise redeemed, converted, canceled or a qualified initial public offering (the "**Qualified IPO**") has occurred, Great Dragon shall redeem the 2008 Convertible Bonds at their respective repayment date at a price equal to the sum of the principal amount of such bonds and the interest accrued on such bonds. The interest rate is initially 15% but shall be 20% if certain events occur, including the occurrence of certain events of default prior to the repayment date. If the Qualified IPO fails to occur within thirty-six months after May 30, 2008, then the shares converted from the 2008 Convertible Bonds shall be redeemed by Great Dragon at the purchase price of the 2008 Convertible Bonds plus a 15% annual interest.

Great Dragon also agreed to repurchase the common shares issued upon conversion by TB International at the conversion price plus a 15% annual interest rate if a Qualified IPO shall not have occurred within thirty-six months from May 30, 2008.

Principal terms of 2009 investment by TB International

TB International is entitled to convert any portion of the 2009 Convertible Bonds at any time into Series A Preferred Shares of Great Dragon before the repayment date of such bonds, which is 2 years from their closing date for an agreed percentage of equity interest of Great Dragon. Please refer to the relevant disclosure above for details of conversion of the 2009 Convertible Bonds.

The redemption arrangement under the 2009 Convertible Bonds Subscription Agreement are similar to such arrangement under the 2008 Convertible Bonds Subscription Agreement. If the Qualified IPO fails to occur within thirty-six months after July 6, 2009, then the 2009 Convertible Bonds shall be redeemed by Great Dragon at the conversion price plus a 15% annual interest.

Principal preferential rights of Series A Preferred Shares

Voting right

Pursuant to the articles of association of Great Dragon (the "**Great Dragon's Articles**") adopted on February 2, 2010, a majority vote by the holders of Series A Preferred Shares of Great Dragon as a class is necessary for certain material matters to be undertaken by us. Such matters include, without limitation, amend or change any rights, preferences or privileges of Series A Preferred Shares, sell or issue any new securities or debt securities to any party other than TB International, sell, mortgage, pledge, lease, transfer or otherwise dispose of any of our assets that are not in the ordinary course of business in excess of RMB5 million in one transaction or in excess of RMB20 million in multiple transactions on a cumulative basis in any financial year, or incur any indebtedness in excess of such thresholds, amend our annual business plan and budget, wind up our operation, or undertake a merger, acquisition or spin-off.

Election of director

Pursuant to Great Dragon's Articles, for so long as any Series A Preferred Shares remain outstanding, holders of Series A Preferred Shares shall be entitled to appoint one director on the board of directors of Great Dragon. The holders of common shares shall be entitled to appoint two directors on the board of directors of Great Dragon.

Pre-emptive right, right of First Refusal and Right of Co-sale

Holders of Series A Preferred Shares of Great Dragon are entitled to purchase, on a pro rata basis, new securities issued by Great Dragon from time to time on a fully diluted basis to maintain their percentage of equity interest in Great Dragon before and after such issuance of new securities by Great Dragon.

Upon a proposed sale of equity interest held by a holder of common shares of Great Dragon, holders of Series A Preferred Shares are entitled to purchase all or any portion of such equity interest proposed to be sold. Alternatively, holders of Series A Preferred Shares are entitled to participate in such proposed sale by selling certain number of common shares together with the original seller of common shares to the proposed buyer. The ratio of common shares that the holders of Series A Preferred Shares are entitled to purchase in the common shares proposed to be sold shall be the number of common shares held by holders of Series A Preferred Shares on a fully diluted basis divided by the total common shares of Great Dragon on a fully diluted basis.

Anti-dilution

The holders of Series A Preferred Shares are entitled to participate in future issuance by Great Dragon of any equity securities to the extent necessary to maintain its proportionate equity interest in Great Dragon. In the event Great Dragon issues any equity securities for a consideration per share less than the then existing conversion price of Series A Preferred Shares determined pursuant to Great Dragon's Articles, then in each case, the conversion price shall be reduced to equal such new issue price.

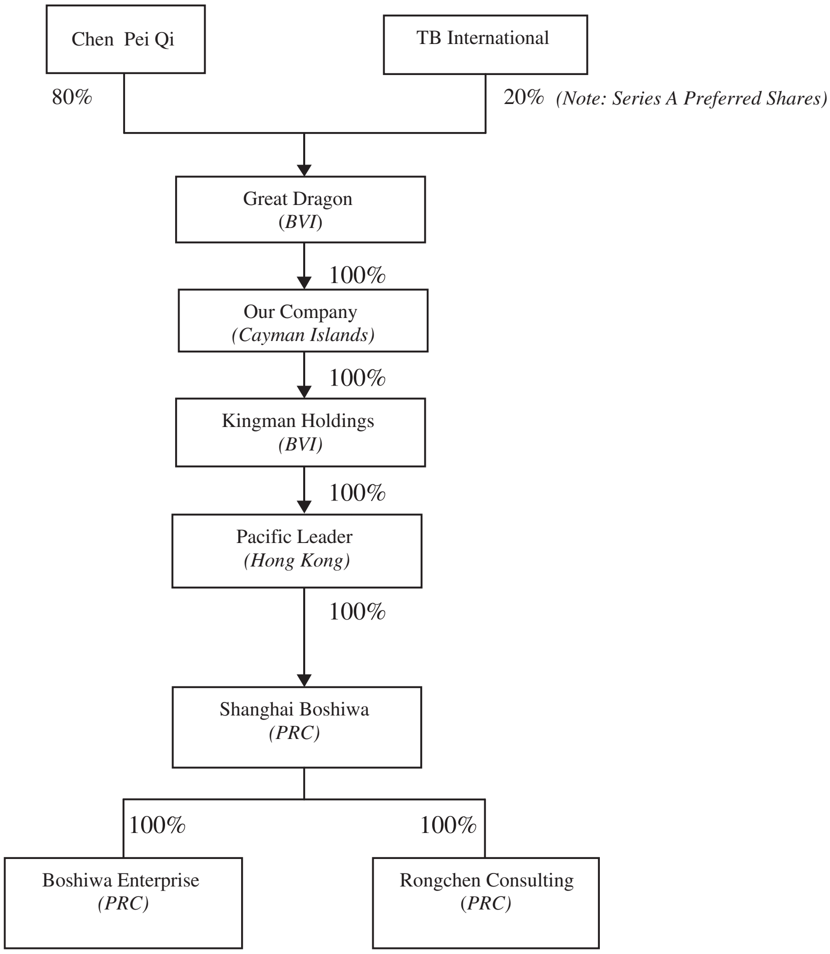
Liquidation preference

In the event of a liquidation or winding up of Great Dragon, holders of Series A Preferred Shares shall be entitled to receive a distribution equal to the original purchase price of the Series A Preferred Shares with an annual interest of 15% together with all declared and unpaid dividends. After such distribution, Series A Preferred Shares shall be entitled to receive a proportionate distribution of the remaining assets of Great Dragon together with holders of other classes of equity securities of Great Dragon.

The above-mentioned preferential rights of TB International shall cease to have effect upon the conversion of the Series A Preferred Shares held by TB International in Great Dragon into the common shares of Great Dragon before Listing.

Group Structure after investment by TB International and incorporation of our offshore investment vehicles

Set out below is the shareholding structure of our Group immediately following the investment by TB International and the incorporation of our offshore investment vehicles and the transfer by Great Dragon of its entire interest in Shanghai Boshiwa to Pacific Leader but before the Corporate Reorganization as set out below:



(2) Corporate Reorganization

The companies comprising our Group underwent a Corporate Reorganization to rationalize our corporate structure for the Listing. The Corporate Reorganization involved the following steps:

(1) On February 5, 2010, TB International converted its 2008 Convertible Bonds I and 2008 Convertible Bonds II into 8,442 and 1,965 Series A Preferred Shares in Great Dragon, respectively. After the conversion, TB International held in aggregate approximately 31.42% of the issued share capital of Great Dragon.

(2) Joyork International was incorporated in the BVI by Chen Pei Qi with limited liability on September 25, 2009. On February 5, 2010, Chen Pei Qi transferred 30,408 common shares of Great Dragon (representing approximately 41.71% of the issued share capital of Great Dragon at that time) to Joyork International in consideration of Joyork International issuing 753 shares of Joyork International to him. After the transfer,

Chen Pei Qi held approximately 26.87% and 41.71% of the issued share capital in Great Dragon directly and indirectly through Joyork International, respectively. For more information on Joyork International, one of our Controlling Shareholders, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

(3) Onbrave International was incorporated in BVI with limited liability on September 15, 2009. Mr. Zhong was appointed as a director on November 13, 2009 and on February 8, 2010, Onbrave International subscribed for 246 new ordinary shares in Joyork International at the consideration of HK$110,000,000. The consideration was determined with reference to our Company's appraised net asset valuation as at February 10, 2010, in which Joyork International had 41.71% indirect interest at the time. The source of funding for Onbrave International to settle the consideration was bank financing and the consideration was received by Joyork International in June 2010. After the share subscription, the issued share capital of Joyork International was held approximately as to 75.4% by Chen Pei Qi and as to 24.6% by Onbrave International. Mr. Zhong acquired equity interest in our Company through Onbrave International and Joyork International as he, being a member of the senior management of our Group since the establishment of Shanghai Boshiwa in 1997 and an executive Director of our Company, was optimistic about the future and potential development of the industry and our Group and thus, considered it commercially feasible and sensible to invest in our Company. Furthermore, both Mr. Zhong and Chen Pei Qi considered that it would benefit the future development of our Group by having Mr. Zhong holding certain equity interest in our Company as they believed that the holding of equity interest in our Company by senior management would motivate the senior management to better manage and develop our Company.

(4) On March 10, 2010, Joyork International, TB International and BOCOM Holdings subscribed for 5,340 new common shares, 2,225 new Series A Preferred Shares, and 445 new common shares in Great Dragon, respectively, at the consideration of RMB65,919,415, RMB27,466,423 and HK$7,000,000, respectively. After the share subscription, the issued share capital of Great Dragon was held approximately as to 44.18% by Joyork International, 31.06% by TB International, 0.5% by BOCOM Holdings and 24.21% by Chen Pei Qi.

(5) On March 16, 2010, TB International converted its 2009 Convertible Bonds into 8,101 Series A Preferred Shares in Great Dragon. After the conversion, TB International held in aggregate approximately 37.33% of the issued share capital of Great Dragon.

(6) On April 22, 2010, the registered capital of Shanghai Boshiwa was approved by the Shanghai Commerce Committee to increase from US$36 million to US$60 million and the total investment amount of Shanghai Boshiwa was approved to increase from US$72 million to US$120 million. Of the US$24 million increase in registered capital of Shanghai Boshiwa, 20% was due for payment within one month of the approval of increase by the Shanghai Commerce Committee and the rest will be due within three months of the date of the updated business license. As at the Latest Practicable Date, US$12 million out of the US$24 million has been paid by Pacific Leader in cash. Out of the remaining US$12 million of the increase in registered capital, US$10 million will be paid out of the undistributed profits of Shanghai Boshiwa and US$2 million shall be paid by cash. The cash in the amount of US$14 million was funded by the

subscription money paid by TB International, BOCOM Holdings and Joyork International for the new shares in Great Dragon as set out in step (4) above.

(7) On April 28, 2010, Chen Pei Qi transferred 10,936 and 8,656 common shares in Great Dragon to Hambo Group and Fame Trend, respectively, representing approximately 12.29% and 9.72% of the issued share capital of Great Dragon at that time. The total consideration represented certain amounts of personal loans owed by Chen Pei Qi to each of King Lion International (Hong Kong) Limited, the sole shareholder of Hambo Group, and Fame Trend since 2008 (the "**Amounts Payable**") in the amount of approximately US$2.9 million and US$1.95 million respectively, and the aforesaid transfers of shares of Great Dragon from Chen Pei Qi to each of Hambo Group and Fame Trend shall offset the Amounts Payable by Chen Pei Qi to each of King Lion International (Hong Kong) Limited and Fame Trend. The basis of consideration for the aforesaid transfers of shares of Great Dragon from Chen Pei Qi to each of Hambo Group and Fame Trend was with reference to Shanghai Boshiwa's net asset valuation as at June 30, 2007, as the Amounts Payable was accrued since 2008. Both Hambo Group and Fame Trend are investment holding companies. Hambo Group is wholly owned by King Lion International (Hong Kong) Limited. King Lion International (Hong Kong) Limited is wholly owned by Shanghai King Lion Co. Ltd., which is owned as to 75% by Wang Shi Ming and 25% by Wang Chun Xia, the daughter of Wang Shi Ming. Wang Shi Ming is one of the directors of Shanghai Boshiwa. Fame Trend is wholly owned by Wang Xiaofeng, an Independent Third Party. As far as we are aware, as a long term friend of Chen Pei Qi, Wang Xiaofeng recognized the investment value and thus acquired shares of Great Dragon from Chen Pei Qi through Fame Trend. Fame Trend was independent of Chen Pei Qi, our Group and its connected persons prior to its investment in Great Dragon. Hambo Group and Fame Trend invested in our Group as they appreciated the value of the interest in Shanghai Boshiwa. As confirmed by our Company, save and except for that Wang Chun Xia is the daughter of Wang Shi Ming and Wang Shi Ming is one of the directors of Shanghai Boshiwa, each of Chen Pei Qi, Wang Xiaofeng, Wang Shi Ming and Wang Chun Xia is independent of each other.

(8) Mr. Zhong acquired 100% of the equity interests in 上海榮馳建築裝飾材料有限公司 (Shanghai Rongchi Construction Materials Limited *) ("**Shanghai Rongchi**") pursuant to an equity transfer agreement dated February 8, 2010, from Zhong Xiao Yong, the brother of Mr. Zhong, and Gao Rui Sen at a total consideration of RMB1 million. The name of Shanghai Rongchi was effectively changed to 上海得勝信息技術有限公司 (Shanghai Desheng Information Technology Limited) on May 20, 2010. The reason for Mr. Zhong to acquire Shanghai Desheng from his brother and a third party instead of setting up a new company or acquiring other PRC company from other third parties was that, by virtue of the relationship between Mr. Zhong and his brother, Mr. Zhong was in a better position to conduct due diligence exercise on Shanghai Desheng before the acquisition and to satisfy that it had no business operations immediately prior to the acquisition. The consideration of RMB1 million was based on the registered capital of Shanghai Desheng. Mr. Zhong considered that the transaction was on normal commercial terms. In June 2010, we have entered into Structure Contracts with this affiliated Chinese entity.

We have been conducting our online sales business in the PRC through third-party website since September 2010 after the introduction of the MOFCOM Notice on August 19, 2010. We will conduct our online sales business through Shanghai

Desheng through its self-owned websites upon the granting of the ICP license by Shanghai Communications Administration to Shanghai Desheng and the completion of the registration formalities by Shanghai Desheng to include "Internet information services" into its business scope, which are expected to be obtained and completed by the end of 2010. Before Shanghai Desheng obtaining the ICP license and completing the aforementioned registration formalities, we will not conduct our online sales business through Shanghai Desheng through its self-owned websites.

Internet content provision services are classified as value-added telecommunications businesses and an ICP license from the appropriate authorities is required in order to carry on any commercial Internet content provision operations in China. To comply with ownership requirements under the PRC law which impose certain restrictions on foreign companies from investing in certain industries such as Internet services, we have entered into a series of Structure Contracts with our affiliated Chinese entity, Shanghai Desheng and its shareholder on June 28, 2010. To our knowledge, the contractual arrangements similar to those under the Structure Contracts have been widely adopted in the PRC-based Internet services related companies including those whose shares have been listed in the Stock Exchange and the stock exchange in the United States. Shanghai Desheng has applied to Shanghai Communications Administration for the ICP license in July 2010 and pursuant to the applicable PRC laws and regulations, Shanghai Communications Administration shall decide whether to grant the approval within 60 days after receipt of the application documents and the ICP license, once issued, shall be valid for 5 years. After Shanghai Desheng has obtained the ICP license and completed the registration formalities for inclusion of "Internet information services" into its business scope, Shanghai Desheng shall have obtained all permits and approvals necessary for it to conduct online sales business in the PRC through its self-operated website, and such business operation shall be within the business scope of Shanghai Desheng. We hold no ownership interest in Shanghai Desheng. It is 100% owned by our chairman and chief executive officer, Mr. Zhong. Mr. Zhong is the sole director of Shanghai Desheng.

The principal terms of the Structure Contracts with Shanghai Desheng and its shareholder are described below.

Proxy Agreement. Mr. Zhong has irrevocably agreed to authorize the individuals designated by Shanghai Boshiwa from time to time, as attorney-in-fact, to exercise the proxy right of the shareholder of Shanghai Desheng. Currently, Shanghai Boshiwa has designated Ms. Chen, who is a PRC citizen, to exercise the proxy right. The agreement shall be effective for an indefinite period unless terminated unilaterally by Shanghai Boshiwa through a written notice or Mr. Zhong ceases to be the shareholder of Shanghai Desheng.

Management and Operation Consulting Agreement. Shanghai Boshiwa may provide guarantees to Shanghai Desheng of its contracts, agreements or transactions with third parties, to the extent permitted under the PRC law. In return, Shanghai Desheng may be required to grant Shanghai Boshiwa a countersecurity over its assets, such as its accounts receivables. In addition, Shanghai Desheng and Mr. Zhong have each agreed that they will not enter into any transaction, or fail to take any action, that would substantially affect Shanghai Desheng's assets, rights or business without Shanghai Boshiwa's prior written consent. Shanghai Desheng and Mr. Zhong will also appoint persons recommended by Shanghai Boshiwa as the directors, officers and other senior management personnel of Shanghai Desheng, as well as accept the guidance of Shanghai Boshiwa regarding the day-to-day operations and management of Shanghai Desheng. The initial term of the agreement is ten years and shall be automatically renewed for further ten-year periods unless Shanghai Boshiwa unilaterally gives a written notice of termination 30 days prior to the expiration of the then current term.

Exclusive Technical Consulting and Services Agreement. Shanghai Boshiwa provides Shanghai Desheng with exclusive technical support and related consulting and other services including without limitation development of software for Shanghai Desheng's business operations, maintenance of Shanghai Desheng's website and office network, design and operation of the website system, development and testing of new products and design of webpages. Shanghai Boshiwa is the exclusive provider of these services. Shanghai Desheng has agreed to pay Shanghai Boshiwa a yearly service fee comprising of an amount calculated by a formula based on the amount of time it takes Shanghai Boshiwa's technicians to provide the services times their respective charges at their experience levels, and an amount to be determined by the board of directors of Shanghai Boshiwa taking into account the revenue of Shanghai Desheng, the complexity, content and commercial value of the services provided by Shanghai Boshiwa and the market prices of similar services. Shanghai Boshiwa has the right to adjust the amount of service fees at any time. The initial term of the agreement is ten years and shall be automatically renewed for further ten-year periods unless Shanghai Boshiwa unilaterally gives a written notice of termination 30 days prior to the expiration of the then current term.

Exclusive Call Option Agreement. Under the Exclusive Call Option Agreement between Shanghai Boshiwa and Mr. Zhong, Shanghai Desheng's shareholder, Shanghai Boshiwa has an exclusive option to, by itself or through its designee, purchase from Mr. Zhong all or part of his equity interest in Shanghai Desheng at the highest amount among (1) the minimum amount as permitted under the applicable Chinese laws, (2) the consideration previously paid by Mr. Zhong for the acquisition of the relevant percentage of the equity interests of Shanghai Desheng, or (3) any amount otherwise agreed between the parties, to the extent permitted under the PRC law. Mr. Zhong has undertaken that he shall not increase or reduce the registered capital of Shanghai Desheng or dispose of any material assets of Shanghai Desheng without prior written consent of Shanghai Boshiwa. Unless the parties signed other agreements to the contrary, the Exclusive Call Option Agreement shall remain effective until all the equity interests in Shanghai Desheng are transferred to Shanghai Boshiwa and/or its nominees (to the extent permitted under the PRC law). We undertake to the Stock Exchange that Shanghai Boshiwa will exercise the option to acquire from Mr. Zhong all or part of his equity interest of Shanghai Desheng, to the extent permitted under the PRC law.

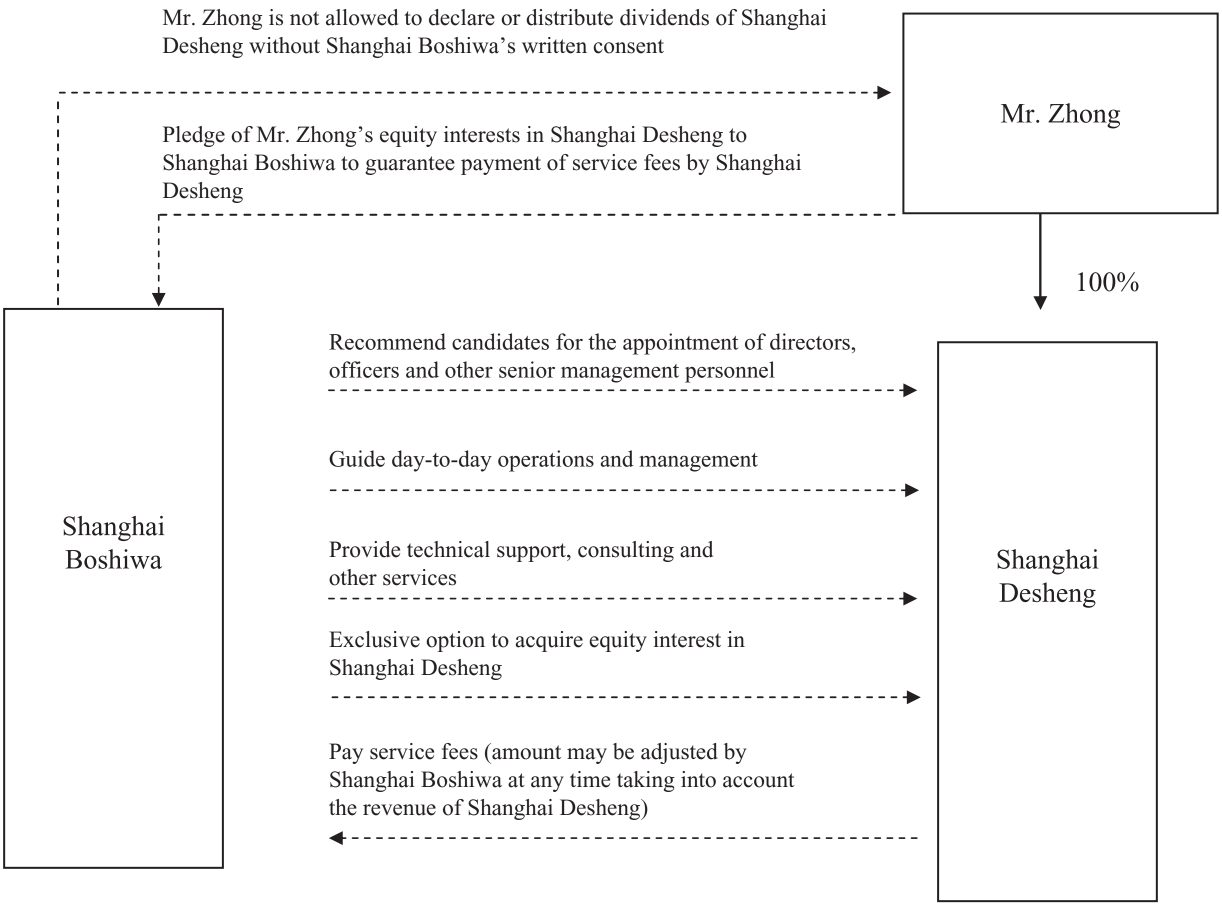
Equity Interests Pledge Agreement. Mr. Zhong agreed to pledge his equity interests in Shanghai Desheng to secure the payment of the service fees by Shanghai Desheng under the Exclusive Technical Consulting and Services Agreement described above. If Shanghai Desheng breaches any of its obligations under the Equity Interests Pledge Agreement or fails to fully pay the service fees on time, Shanghai Boshiwa is entitled to claim sale of the equity interests held by Mr. Zhong in Shanghai Desheng and get repaid out of the sale proceeds on a priority basis. According to the PRC Property Rights Law, such pledge will be effective upon registration with the local administration for industry and commerce. The registration for such pledge was completed on September 13, 2010. The Equity Interests Pledge Agreement will expire upon the termination of the Exclusive Technical Consulting and Services Agreement and the discharge of all the secured obligations as defined under such agreement. The initial term of the Exclusive Technical Consulting and Services Agreement is ten years and shall be automatically renewed for further ten-year periods unless Shanghai Boshiwa unilaterally gives a written notice of termination 30 days prior to the expiration of the then current term.

Each of the Structure Contracts has included an arbitration clause pursuant to which if any dispute arises out of the relevant contract and the parties fail to resolve such dispute through negotiation, either party may submit the dispute to the China International Economic and Trade Arbitration Commission (the "**CIETAC**") for arbitration in accordance with its arbitration rules. The arbitration shall take place in Beijing, and the arbitral award shall be final and binding upon the parties. Our PRC legal advisers, Haiwen & Partners, have advised that the arbitration clauses contained in the Structure Contracts are legal, valid and enforceable under the PRC laws. The arbitration clauses contained in the Structure Contracts did not specifically provide for the arbitrators' power to grant remedies over the shares or assets of Shanghai Desheng. As advised by our PRC legal advisers, Haiwen & Partners, the Structure Contracts are all governed by the PRC laws, and under the PRC Contract Law, if a party breaches a contract, the non-breaching party shall be entitled to seek remedies such as specific performance, compensation for damages and other relieves, and accordingly, in the event that Shanghai Desheng or Mr. Zhong breaches the Structure Contracts, the arbitrators shall have power to grant remedies to Shanghai Boshiwa pursuant to the PRC laws. Further, as advised by our PRC legal advisers, Haiwen & Partners, in the event that Shanghai Desheng or Mr. Zhong fails to perform the arbitral award, Shanghai Boshiwa shall have the legal right to apply to the relevant court of competent jurisdiction for enforcement of the arbitral award pursuant to the PRC Arbitration Law and the PRC Civil Procedure Law, and the court shall have power to take enforcement measures, such as to freeze and make a sale of the relevant assets of Shanghai Desheng or Mr. Zhong necessary to discharge their obligations under the arbitral award, if applicable, in accordance with the PRC Civil Procedure Law.

These Structure Contracts are designed to provide our Group, through its wholly-owned subsidiary, Shanghai Boshiwa, an effective control and (to the extent permitted under the PRC law) the right to acquire the equity interests in Shanghai Desheng. In respect of dividend distribution, under the Exclusive Call Option Agreement and the Equity Interests Pledge Agreement, Mr. Zhong, as the shareholder of Shanghai Desheng, is not allowed to declare or distribute any profit or dividend of Shanghai Desheng without prior written consent of Shanghai Boshiwa. Through the operation of the above Structure Contracts, our Group is able to ensure that all revenue and capital distributions made by Shanghai Desheng flow to our Group.

We will establish a compliance team within our Group, led by Mr. Lv Yi Hao, our vice president and joint company secretary, to supervise and maintain due implementation of the provisions in the Structure Contracts and to ensure sound operation of the Structure Contracts. In addition, we will appoint PRC legal advisers before the Listing Date to act as our regular legal counsel going forward. Upon appointment of such PRC legal advisers, we will seek legal advice relating to the Structure Contracts from them where necessary. Furthermore, we will comply with the ongoing reporting and approvals requirements as set out in the paragraph headed "Non-Exempt Continuing Connected Transactions" in the "Connected Transactions" section in this prospectus.

The following chart illustrates the principal mechanism under the Structure Contracts including the flow of all economic benefits and assets of Shanghai Desheng, exercise of full management control over the operations of Shanghai Desheng and distribution of dividends:



Having taken all possible actions and steps to enable them to reach their legal conclusions, our PRC legal advisers, Haiwen & Partners, are of the opinion that subject to the disclosure in the paragraphs headed "We rely on a series of Structure Contracts to conduct our online sales business in the PRC" in the "Risk Factors" section of this prospectus, (i) the Structure Contracts are legal, valid and binding on the parties to such contracts under the PRC laws and regulations, and (ii) the execution, delivery, effectiveness, enforceability and performance of the Structure Contracts do not violate any PRC laws and regulations.

To reach their legal opinion above, our PRC legal advisers, Haiwen & Partners, have conducted due diligence works on our interests in the PRC and studied relevant PRC laws and regulations, and are of the view that the PRC laws and regulations do not prohibit the parties to the Structure Contracts from entering into the Structure Contracts, and except for the registration of the equity pledge under the Equity Interests Pledge Agreement with the local administration of industry and commerce, no filings with or approvals from any PRC governmental authorities are required in connection with the execution, delivery, effectiveness and enforceability of the

Structure Contracts. In addition, to reach their legal opinion above, our PRC legal advisers, Haiwen & Partners, have consulted with the market administration department under the telecommunications administration bureau of the MIIT (formerly known as the MII) which is the competent authority responsible for supervising and administrating the value-added telecommunications services business market in the PRC regarding this type of contractual arrangements, and the aforementioned department did not raise any objection.

(9) On September 8, 2010, TB International converted all of the Series A Preferred Shares held by it in Great Dragon to 33,233 common shares of Great Dragon. After the conversion, TB International no longer held any Series A Preferred Shares in Great Dragon.

(10) On September 8, 2010, our Company, Great Dragon, Joyork International, TB International, Hambo Group, Fame Trend and BOCOM Holdings entered into the Share Swap Agreement pursuant to which (i) all common shares in Great Dragon held by each of TB International, Hambo Group, Fame Trend and BOCOM Holdings were transferred to Joyork International; and (ii) as a consideration, Great Dragon transferred 74,660 Shares, 24,580 Shares, 19,440 Shares and 1,000 Shares it held in our Company to each of TB International, Hambo Group, Fame Trend and BOCOM Holdings (**"Share Swaps"**). Upon completion of the Share Swaps on September 8, 2010, each of TB International, Hambo Group, Fame Trend and BOCOM Holdings ceased to have any interest in Great Dragon and Great Dragon became wholly-owned by Joyork International. At the same time, each of TB International, Hambo Group, Fame Trend and BOCOM Holdings became a shareholder of our Company.

(11) On September 8, 2010, to simplify the shareholding structure of our Company, our Company, Great Dragon and Joyork International entered into a deed of share transfer pursuant to which Great Dragon agreed to transfer to its holding company, Joyork International, all ordinary shares held by Great Dragon in our Company at nil consideration. Upon completion of the aforesaid share transfer, Great Dragon ceased to have any interest in our Company and Joyork International became directly interested in approximately 40.16% of the equity interest in our Company.

As confirmed by Mr. Zhong and Chen Pei Qi, they are long term friends and Directors of our Group, and in view of the relatively dispersed shareholding structure of our Company after the Corporate Reorganization, Mr. Zhong considered that holding the indirect equity interest in our Company through Joyork International together with Chen Pei Qi instead of directly holding the equity interest in our Company through his own investment vehicle could facilitate the management of our Group.

PRC LEGAL COMPLIANCE

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated "關於外國投資者併購境內企業的規定" (the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors) (the "**M&A Rules**"), which became effective on September 8, 2006 and was reissued by the MOFCOM in June 2009. The M&A Rules include provisions that purport to require that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. Our PRC legal advisers, Haiwen & Partners, have confirmed that Shanghai Boshiwa is a foreign invested enterprise established before the promulgation of the M&A Rules and the acquisition by Great Dragon or Pacific Leader of the 100% equity interests in Shanghai Boshiwa did not constitute an acquisition of a domestic company under the M&A Rules and did not involve any share swap transaction, and therefore, the Listing does not require the approval of the CSRC and any other PRC government authorities under current PRC laws, regulations and rules.

On October 21, 2005, the SAFE issued a new 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 SAFE Circular No. 75 as an "overseas special purpose vehicle", outside of the PRC for the purpose of capital financing based on assets or interest in China, and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a round-trip investment. Also, any change of shareholding or any other material capital alteration in such overseas special purpose vehicle involving no round-trip investment shall be registered or filed within 30 days starting from the date of shareholding transfer or capital alteration. 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.

Our PRC legal advisers, Haiwen & Partners, confirmed that all the relevant approvals had been obtained from the competent PRC authorities in respect of the series of changes in the shareholdings in Shanghai Boshiwa except for the following changes:

(a) As to Shanghai Rongchen Group's transfer of the 50% equity interests in Shanghai Boshiwa to Shanghai Agricultural, Shanghai Rongchen Group, as an enterprise owning state-owned assets (an "**EOSA**"), did not obtain an independent appraisal report of the transferred equity interests and file such appraisal report with the relevant governmental authorities and determine the transfer consideration with reference to the relevant appraisal results. As to Shanghai Agricultural's transfer of the 50% equity interests in Shanghai Boshiwa to Shanghai Chenghuang by way of "state-owned assets appropriation", Shanghai Agricultural, as an EOSA, did not obtain an approval from the Shanghai State-Owned Assets Administration Office (上海市國有資產管理辦公室);

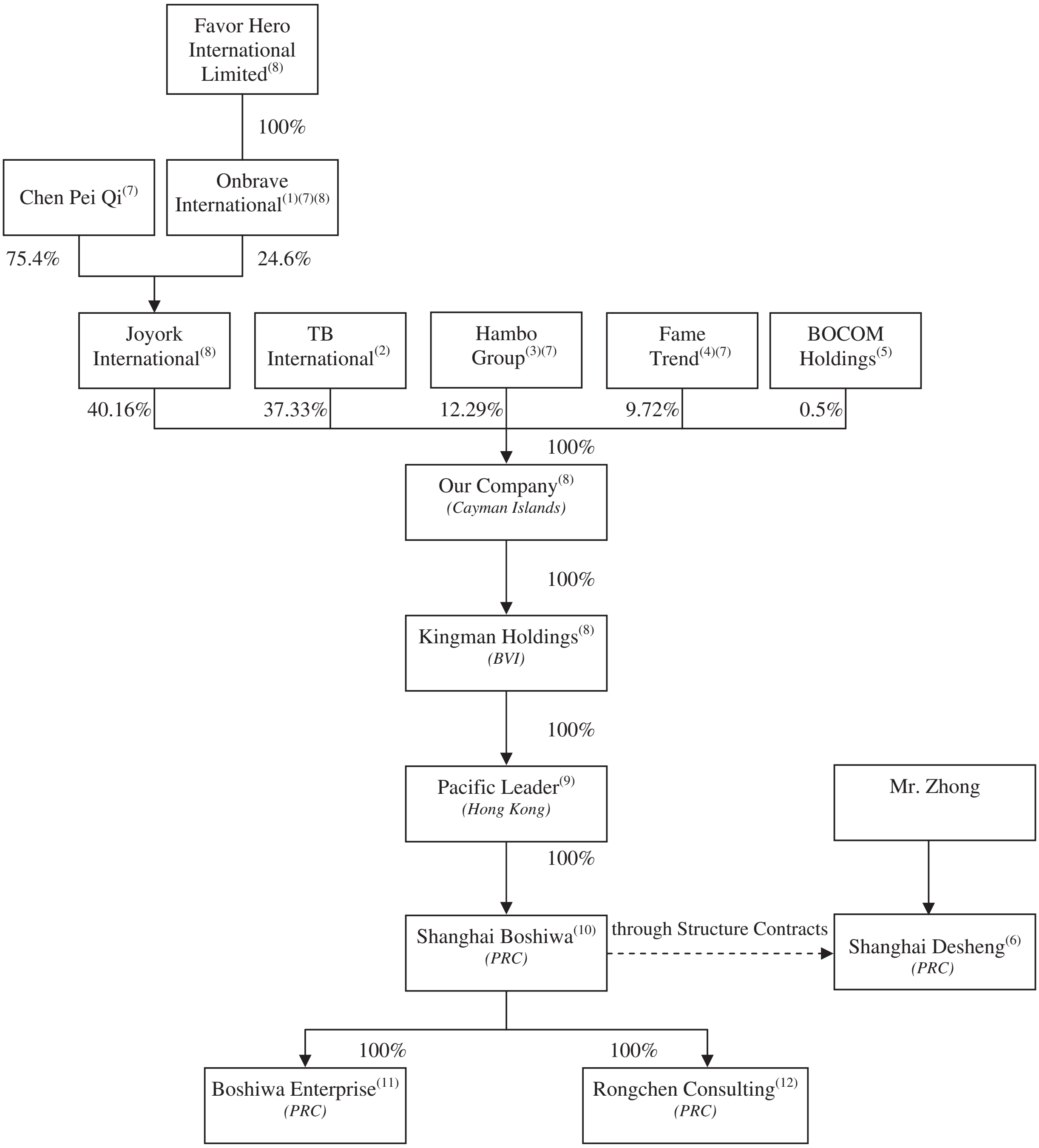
(b) as to Shanghai Haibo's transfer of the 50% equity interests in Shanghai Boshiwa to Shanghai Haibo Investments, Shanghai Haibo, as an EOSA, did not obtain an independent appraisal report of the transferred equity interests and file such appraisal report with the relevant governmental authorities, and further, Shanghai Haibo did not make such equity transfer at government-designated marketplaces in accordance with the applicable PRC laws and regulations.

Our PRC legal advisers, Haiwen & Partners, are of the opinion that, (i) because the above non-compliances occurred amongst the previous shareholders of Shanghai Boshiwa which are EOSAs, (ii) after the above-mentioned equity transfers, there occurred several subsequent equity transfers, and (iii) the acquisition of the 100% equity interests in Shanghai Boshiwa by Great Dragon (from which Pacific Leader obtained the 100% equity interests in Shanghai Boshiwa) (the "**Acquisition**") was conducted in compliance with the PRC laws and regulations, the above non-compliances shall have no material adverse effect on the equity interests held by Pacific Leader in Shanghai Boshiwa and the valid existence of Shanghai Boshiwa.

Fangda Partners, the Sponsors' PRC legal advisers, based on their study of applicable PRC law and their conduct of relevant due diligence works on Shanghai Boshiwa (including their review of the relevant information and documents provided by the Company), are also of the view that (i) all the relevant approvals had been obtained from the competent PRC authorities in respect of the series of changes in the shareholdings in Shanghai Boshiwa including the Acquisition except for the above non-compliances, and (ii) such non-compliances shall have no material adverse effect on the equity interests held by Pacific Leader in Shanghai Boshiwa and the valid existence of Shanghai Boshiwa because such non-compliances occurred among the historical shareholders of Shanghai Boshiwa and the subsequent equity transfers of Shanghai Boshiwa including the Acquisition have obtained all relevant approvals to become effective under the PRC law.

Our PRC legal advisers, Haiwen & Partners, have also confirmed that we have obtained all approvals and permits, if required, under the PRC laws and regulations in connection with each stage of the Corporate Reorganization and the Listing, and Pacific Leader legally owns 100% equity interests in Shanghai Boshiwa.

Set out below is the shareholding structure of our Group immediately following the Corporate Reorganization and before the Global Offering and the Capitalization Issue:



Notes:

(1) Onbrave International is directly owned as to 100% by Favor Hero International Limited, which is owned as to 100% by The Power Vast Trust, a discretionary trust set up by Mr. Zhong for the benefit of himself and his family members. The trustee of The Power Vast Trust is Credit Suisse Trust Limited.

(2) TB International, an investment holding company, is owned as to 100% by Trustbridge Partners II, L.P.. Immediately after the Capitalization Issue and the Global Offering, TB International, being a substantial Shareholder of our Company, will become a connected person of our Company. Our Group does not expect to enter into any connected transaction with TB International after Listing. The Shares held by TB International are not counted as public shares. The Shares held by TB International will be subject to a six-month lock-up undertaking after the Listing. For details of the lock-up arrangements, please refer to the paragraph headed "Hong Kong Public Offer" in the section headed "Underwriting".

(3) Hambo Group, an investment holding company, is owned as to 100% by King Lion International (Hong Kong) Limited. King Lion International (Hong Kong) Limited is owned as to 100% by Shanghai King Lion Co. Ltd., which is owned as to 75% by Wang Shi Ming and 25% by Wang Chun Xia, the daughter of Wang Shi Ming. Wang Shi Ming is one of the directors of Shanghai Boshiwa. Immediately after the Capitalization Issue and the Global Offering, Hambo Group will become a connected person of our Company. Our Group does not expect to enter into any connected transaction with Hambo Group after Listing. The Shares held by Hambo Group are not counted as public shares. The Shares held by Hambo Group will be subject to a six-month lock-up undertaking after the Listing. For details of the lock-up arrangements, please refer to the paragraph headed "Hong Kong Public Offer" in the section headed "Underwriting".

(4) Fame Trend, an investment holding company, is owned as to 100% by Wang Xiaofeng, an Independent Third Party. The Shares held by Fame Trend will not be subject to any lock-up undertaking after the Listing.

(5) BOCOM Holdings is a wholly-owned subsidiary of Bank of Communications Co., Ltd. (交通銀行股份有限公司), whose H shares are listed on the Main Board of the Stock Exchange (stock code: 3328). BOCOM Holdings is principally engaged in securities proprietary trading and investment holding. BOCOM Holdings has three wholly-owned subsidiaries, namely BOCOM International (Asia) Limited, BOCOM International Asset Management Limited and BOCOM International Securities Limited. The three subsidiaries are principally engaged in investment banking, asset management and securities brokerage business. The Shares held by BOCOM Holdings will not be subject to any lock-up undertaking after the Listing.

(6) Shanghai Desheng was acquired by Mr. Zhong on February 8, 2010 and it is owned as to 100% by Mr. Zhong. In June 2010, we have entered into various Structure Contracts with this affiliated Chinese entity to conduct online sales business.

(7) As confirmed by our Company, these direct and indirect Shareholders of our Company do not constitute a "closely allied group of shareholders" under Rule 14.45 of the Listing Rules.

(8) Favor Hero International Limited, Onbrave International, Joyork International, our Company and Kingman Holdings are investment holding companies.

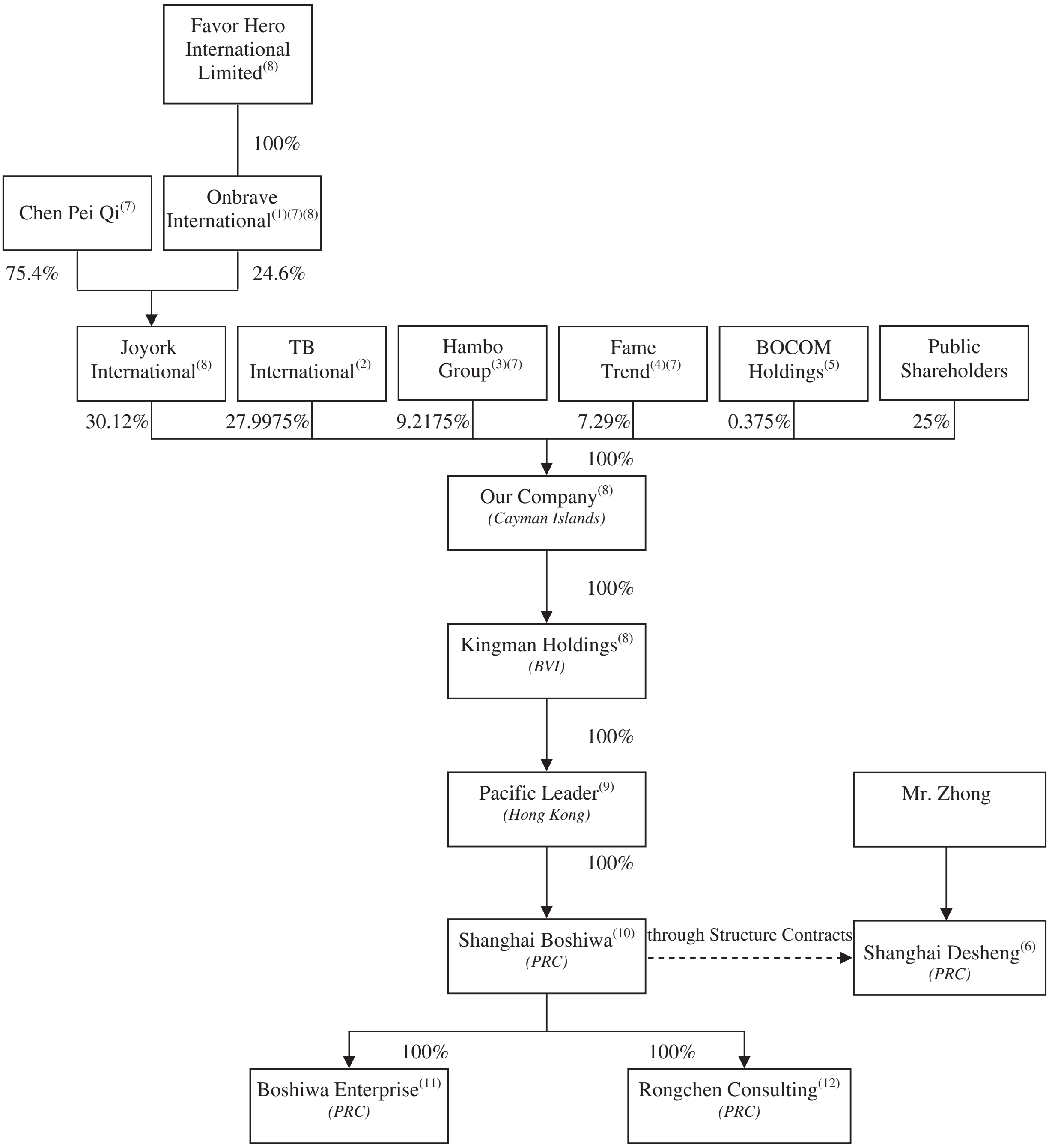
(9) Pacific Leader is currently engaged in investment holding and is expected to be engaged in import and export business in the future.

(10) Shanghai Boshiwa is our Group's principal PRC operating subsidiary which is engaged in the design, development and marketing of children's products, including children's apparel, footwear and accessories.

(11) Boshiwa Enterprise is mainly engaged in the opening of new retail outlets.

(12) Rongchen Consulting currently does not engage in any operations and our Group plans to engage it in corporate marketing planning in the future.

The following diagram sets out the shareholding structure of our Group after the Corporate Reorganization and immediately after the Global Offering and the Capitalization Issue, and assuming the Over-allotment Option is not exercised:



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