
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors”. You should read this section carefully before you decide whether to invest in the Offer Shares.

OVERVIEW

Our 青蛙王子 (Frog Prince) brand is a leading domestic brand of children care products in China with the largest market shares in terms of retail sales value in moisturising lotion products, bath and shampoo products and oral care products, among all domestic brands in China in 2010¹.

We primarily design and provide a broad range of children care products under our own brand, including skin care products, body and hair care products, oral care products and diaper products, which are tailored for the mid-end market segment in China. In addition to children care products, we also provide baby care products, household hygiene products and adult care products under our own brand names and manufacture OEM products.

Having a nationwide and efficient sales network is crucial to our success. We sell all our own-branded products through our network of distributors. Our distributors then distribute and resell our products to their sub-distributors and/or ultimate retailers. As at the Latest Practicable Date, we had a sales network with 173 distributors, through which we distribute our products to different types of retail stores, such as hypermarkets, supermarkets, mother and children products specialty stores and convenience stores, and cover all provinces, autonomous regions and municipalities in China. Leveraging on the sales network established by our 青蛙王子 (Frog Prince) brand, we also distribute via the same sales network our other product series, such as household hygiene products under our 雙飛劍 (Shuangfeijian) and 深呼吸 (Shenhuxi) brands.

We believe the recognition for the quality of our products and the goodwill of our 青蛙王子 (Frog Prince) brand are also crucial to our success. We place great emphasis on the quality and safety of our products and implement stringent quality control measures throughout our whole production process. All of our baby care and children care products and household hygiene products currently in production are in compliance with the relevant national standards in China. In addition, to further assure the quality and safety of our products, we voluntarily engaged (i) Intertek (HK)² to conduct tests of all of our baby care and children care cosmetic products currently in production, which found that all products submitted to Intertek (HK) passed the tests relating to certain key parameters for safety and compliance of cosmetic products under the Cosmetics Directive in the European Union for cosmetics products³; and (ii) Pony⁴ to conduct

Notes:

- 1. According to Euromonitor, our children moisturising lotion products, children bath and shampoo products and children oral care products under our 青蛙王子 (Frog Prince) brand had the market shares in those three market segments of approximately 23.1%, 10.0% and 14.6% respectively, in 2010. Our 青蛙王子 (Frog Prince) brand has the second largest market shares in terms of retail sales value in the children moisturising lotions products, children bath and shampoo products and children oral care products among all international and domestic brands in 2010. The total retail sales value of our children moisturising lotion products, bath and shampoo products and oral care products accounted for approximately 15.5% of the total retail sales value of children care products market in China in 2010.*
- 2. A testing laboratory accredited by Hong Kong Accreditation Service, the United Kingdom Accreditation Service and China National Accreditation Service for Conformity Assessment and an Independent Third Party.*
- 3. As of 18 February 2011.*
- 4. A testing organisation accredited by China National Accreditation Service for Conformity Assessment and an Independent Third Party.*

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additional independent tests of all of our household hygiene products currently in production, which found that all of them were in compliance with the relevant national standards in China⁵. Since our establishment in 1995, we had not announced any product recalls nor had we experienced any returns or exchanges of products or made any compensation payment due to reasons related to quality defects, perceived side effects or existence of harmful chemicals or substances nor had we received any complaints about quality and safety problems which had caused a material adverse impact on our business or reputation.

With quality of our products as the foundation of our Group's success, we have also successfully built our brand image and enhanced our brand recognition among our customers. We created and produced our own animation series based on the 青蛙王子 (Frog Prince) character of our brand. The first season of the animation series was broadcasted nationwide in China from 2006 to 2008. Leveraging on the success of the first season of this animation series, we produced and later broadcasted our second season in 2010. We believe the strategy to produce our own animation series to promote our brand recognition differentiates us from other competitors, and has contributed to our success of being the top domestic brand of baby and children care products in terms of brand awareness and consumer preference in China⁶. As both the first and second seasons of the animation series were broadcasted on CCTV Children Channel and other top television channels such as Jiangsu Satellite TV Animation Channel, we believe we have effectively promoted our 青蛙王子 (Frog Prince) brand to a wide group of audience that has contributed to our increase in sales over the years.

Due to the rise in disposable income and the improvement in living standard, parents in China have become more conscious of the quality and safety of the products used by their children and thus more willing to purchase quality children care products that are safe and tailored to children's specific need. According to Euromonitor, there is a surging demand for children care products and the market size for children care products increased from RMB3,325.4 million in 2006 to RMB5,336.6 million in 2010, representing a CAGR of 12.6%. By the end of 2013, the expected market size will reach RMB8,679.4 million, representing a CAGR of 17.6% from that of 2011. Leveraging on our brand recognition, product development capability and our established nationwide sales network, we are well positioned to capture the booming children care products market in China. For the three years ended 31 December 2008, 2009 and 2010, our children care products under our 青蛙王子 (Frog Prince) brand had achieved significant growth in sales from approximately RMB320.3 million in 2008 to RMB578.9 million in 2010, representing a CAGR of 34.4%.

In 2009, we expanded our product portfolio to provide baby diaper products under our 青蛙王子 (Frog Prince) brand in order to capture the significant market demand for baby diaper products in China. Since their launch in 2009, we have distributed our diaper products in 26 provinces, including Fujian, Henan, Hunan, Hubei, Jiangxi, Shandong, Sichuan and Yunnan, and will continue to leverage on our existing and future sales network to expand the distribution of our diaper products throughout China. Since the launch of our diaper products in 2009, our turnover from the sales of diaper products were RMB8.8 million and RMB20.2 million for the two years ended 31 December 2009 and 2010 respectively.

Our household hygiene products under the brand names of 雙飛劍 (Shuangfeijian) and 深呼吸 (Shenhuxi) are not our core business segment. However, as we have been able to effectively distribute such products via the sales network established by the 青蛙王子 (Frog Prince) brand,

Note:

5. As of 16 February 2011.

6. As of 31 December 2010 according to Frost & Sullivan.

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turnover from this household hygiene business segment has also shown significant growth without any material promotion or marketing efforts from us. We expect the turnover of household hygiene products to continue to increase in tandem with the expansion of the sales network of our Group. Our household hygiene products recorded a turnover of RMB84.3 million, RMB109.4 million and RMB180.0 million for the three years ended 31 December 2008, 2009 and 2010 respectively, representing a CAGR of 46.1%.

Other products produced by us during the Track Record Period include baby care products, adult care products and OEM products.

Different from our products under our own brands which are sold domestically, all our OEM products are sold to our overseas customers. We either export those OEM products to our overseas customers on our own or sell them to our local OEM customers which export such OEM products to their overseas customers. Insofar as the Directors understand, our overseas customers will then sell the products to retailers or sub-distributors outside China. Our revenue generated from the sales of our OEM products represented approximately 13.4%, 12.1% and 9.0% of our total revenue for the three years ended 31 December 2008, 2009 and 2010, respectively. In order to maintain our relationships with our OEM customers, we will continue our OEM business and will accept orders if it is in the interest of our Group.

During the Track Record Period, all our overseas and export agents engaged by us were Independent Third Parties, except for Shuangfei (USA). For further details of the supply of our OEM products to Shuangfei (USA), please refer to the section headed “Connected Transactions” of this prospectus.

We have achieved significant growth in our overall revenue and net profit during the Track Record Period. Our revenue for the three years ended 31 December 2008, 2009 and 2010 were RMB474.0 million, RMB624.4 million and RMB838.0 million, respectively, representing a CAGR of 33.0% and our net profit during the same periods were RMB72.2 million, RMB91.8 million and RMB144.5 million, respectively, representing a CAGR of 41.5%.

Non-compliance incidents

During the Track Record Period, there were some non-compliance incidents relating to the Companies Ordinance and the production and sale of our certain products beyond the scope of our business license or other approvals. All those incidents are rectified and we have obtained the relevant licenses or approvals to produce and/or sell those products. Moreover, six of our products had failed to pass random checks conducted by government authorities. We did not, and were not obliged to, announce any recall of those products as such non-compliance incidents did not give rise to any safety problem and health risks to the users and we have not received any complaint or claim in respect of the quality of those products from any end-consumer. All those products have passed the subsequent tests conducted by the relevant government authorities and are currently in compliance with the relevant industry standards. We have also obtained the confirmations from the relevant PRC authorities that we would not be penalised for those non-compliance incidents. For details of those incidents and our mitigating measures, please refer to the section headed “Business — Litigation and Compliance” of this prospectus.

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The following table sets forth the breakdown of our revenue by each brand, their product categories and respective product series for the three years ended 31 December 2008, 2009 and 2010, respectively:

Brands	Categories	Product series	Year ended 31 December					
			2008		2009		2010	
			Amount (RMB'000)	Percentage of total revenue (%)	Amount (RMB'000)	Percentage of total revenue (%)	Amount (RMB'000)	Percentage of total revenue (%)
青蛙王子 (Frog Prince)	Children care products	Skin care products	202,419	42.7	255,621	40.9	359,011	42.8
		Body and hair care products	44,042	9.3	72,921	11.7	100,747	12.0
		Oral care products	39,012	8.2	39,860	6.4	55,694	6.6
		Diaper products	—	—	8,769	1.4	20,199	2.4
	Adult care products	Oral care products	34,811	7.4	55,409	8.9	43,238	5.2
		Sub-total	320,284	67.6	432,580	69.3	578,889	69.0
雙飛劍 (Shuangfeijian)	Household hygiene products	Insecticide products	67,132	14.2	97,100	15.6	165,350	19.7
深呼吸 (Shenhuxi)	Household hygiene products	Air freshener products	17,173	3.6	12,324	2.0	14,689	1.8
Others (Note)	OEM and others		69,377	14.6	82,392	13.1	79,063	9.5
		Total	<u>473,966</u>	<u>100.0</u>	<u>624,396</u>	<u>100.0</u>	<u>837,991</u>	<u>100.0</u>

Note: Others refer to our OEM products and our adult oral care products and skin care products under other brands of our Group.

OUR COMPETITIVE STRENGTHS

We believe our success and future prospects are attributable to a combination of our competitive strengths as set out below:

- Top domestic brand of baby and children care products in terms of brand awareness and consumer preference in China
- Leading market position to capture the fast-growing baby and children care products market in PRC
- Nationwide and well-established sales network

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- Broad and diversified product offerings
- Outstanding product quality
- Experienced and dedicated management team

OUR STRATEGIES

With the aim of maintaining our leading position in the domestic children care products market in China, further developing our business and continuing our growth, we plan to pursue the following strategies:

- Continue to strengthen and develop the image of our 青蛙王子 (Frog Prince) brand
- Further enrich and expand our product offerings
- Further penetrate into different regions in China and enhance our sales network
- Continue to expand production capacity and improve production efficiency
- Continue to strengthen our product research and development capabilities

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SUMMARY HISTORICAL FINANCIAL INFORMATION

The following table presents a summary of our combined income statements for the three years ended 31 December 2008, 2009 and 2010. The summary of our combined income statements are derived from, and should be read in conjunction with, our combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with IFRS. Investors should also read the following selected financial data together with the discussion in the section headed "Financial Information" of this prospectus.

Combined income statements

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
REVENUE	473,966	624,396	837,991
Cost of sales	(291,074)	(385,412)	(515,052)
Gross profit	182,892	238,984	322,939
Other income and gains	775	1,992	992
Selling and distribution costs	(67,295)	(94,811)	(130,786)
Administrative expenses	(13,911)	(14,714)	(23,586)
Other operating expenses	(635)	(43)	(21)
Finance costs	(2,410)	(5,142)	(1,638)
PROFIT BEFORE TAX	99,416	126,266	167,900
Income tax expense	(27,192)	(34,467)	(23,431)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF OUR COMPANY FOR THE YEAR	<u>72,224</u>	<u>91,799</u>	<u>144,469</u>

Combined statements of comprehensive income

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	<u>72,224</u>	<u>91,799</u>	<u>144,469</u>
Other comprehensive income:			
Exchange differences on translating foreign operations	<u>27</u>	<u>16</u>	<u>2,191</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF OUR COMPANY FOR THE YEAR	<u>72,251</u>	<u>91,815</u>	<u>146,660</u>

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Combined statements of financial position

	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	27,703	46,140	82,067
Prepaid land lease payments	4,112	25,280	20,466
Intangible assets	3,555	3,375	144
Available-for-sale investments	250	550	—
Prepayments and deposits	21,141	100	8,387
Total non-current assets	<u>56,761</u>	<u>75,445</u>	<u>111,064</u>
CURRENT ASSETS			
Inventories	30,384	34,323	34,737
Trade and bills receivables	35,609	74,559	59,149
Amounts due from related parties	10,731	11,091	26,144
Prepayments, deposits and other receivables	11,992	2,337	3,731
Pledged deposits	2,997	3,662	2,350
Cash and cash equivalents	27,786	114,442	72,299
Total current assets	<u>119,499</u>	<u>240,414</u>	<u>198,410</u>
CURRENT LIABILITIES			
Trade and bills payables	9,390	35,270	33,894
Other payables and accruals	6,978	14,028	17,211
Interest-bearing bank and other borrowings	45,700	85,728	—
Amounts due to related parties	1,218	2,025	89,565
Tax payable	8,191	12,210	7,349
Total current liabilities	<u>71,477</u>	<u>149,261</u>	<u>148,019</u>
NET CURRENT ASSETS	<u>48,022</u>	<u>91,153</u>	<u>50,391</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>104,783</u>	<u>166,598</u>	<u>161,455</u>
NON-CURRENT LIABILITY			
Interest-bearing bank loan	—	20,000	15,800
Total non-current liability	<u>—</u>	<u>20,000</u>	<u>15,800</u>
Net assets	<u>104,783</u>	<u>146,598</u>	<u>145,655</u>
EQUITY			
Equity attributable to equity holders of our Company			
Issued capital	11	11	11
Reserves	104,772	146,587	145,644
Total equity	<u>104,783</u>	<u>146,598</u>	<u>145,655</u>

PRE-IPO INVESTMENT BY CCBIAM, JOYFUL AND PARAMOUNT

To further finance our Group's operations such as brand promotion and marketing activities, to improve corporate governance of our Group and finance the construction of our Group's new production lines, CCBIAM, Joyful and Paramount invested in Prince Frog International in July 2010 as pre-IPO investors. Pursuant to the terms of share purchase agreements all dated 29 July 2010 and all entered into by Prince Frog International, Prince Frog (HK), Prince Frog (China), Mr. Li, Mr. Xie, Zhenfei Investment and Jinlin Investment with each of CCBIAM, Joyful and

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Paramount (the “**Share Purchase Agreements**”), CCBIAM, Joyful and Paramount subscribed for 10,785 shares, 1,618 shares and 2,157 shares in Prince Frog International at a consideration of US\$10 million, US\$1.5 million and US\$2.0 million, respectively and such considerations were fully paid in August 2010. The considerations were determined on an arm’s length basis with reference to the estimated financial performance of Prince Frog (China) for the financial year of 2009. Assuming an Offer Price of HK\$3.14 per Share, being the mid-point of the proposed Offer Price range of HK\$2.51 to HK\$3.76 per Share, the investment cost per Share by pre-IPO investors was approximately HK\$1.10 per Share (as converted based on the exchange rate of US\$1.00 to HK\$7.7921), representing a discount of 65.0% to the Offer Price. After such subscription, CCBIAM, Joyful and Paramount held approximately 9.42%, 1.41% and 1.88% equity interests in Prince Frog International, respectively. The Shares held by CCBIAM, Joyful and Paramount will be subject to a six-month lock-up period upon Listing and will be counted as part of the public float.

After the Reorganisation and immediately after the Global Offering and the Capitalisation Issue (and assuming the Over-allotment Option is not exercised), CCBIAM, Joyful and Paramount shall hold approximately 7.06%, 1.06% and 1.41% of the enlarged issued share capital of our Group.

For more details regarding CCBIAM, Joyful and Paramount’s investment, please refer to the paragraphs headed “History and Reorganisation — Reorganisation and Financial Investments” of this prospectus.

TRANSFER OF INTELLECTUAL PROPERTY RIGHTS

Pursuant to the Copyrights Assignment Agreement, Fujian Shuangfei assigned all the copyrights and other rights relating to such copyrights of the 青蛙王子 (Frog Prince) animation series to Prince Frog (China).

In addition, pursuant to the relevant agreements, Fujian Shuangfei agreed to transfer 73 trademarks (among which 68 are registered in PRC and five are registered outside PRC) and 36 trademark applications (among which 35 were made in PRC and one was made outside PRC), 16 patents, one patent application and 12 domain names owned or applied for by Fujian Shuangfei to Prince Frog (China). Among those 73 trademarks and 36 trademark applications under transfer, 82 are related to our 青蛙王子 (Frog Prince) brand. Pursuant to the relevant agreements, Prince Frog (China) has the right to use such trademarks under transfer without fee charges before the completion of transfer.

As at the Latest Practicable Date, six trademarks (excluding the two “BODY & EARTH” and “GREEN CANYON SPA” trademarks which were transferred back to Fujian Shuangfei) and all patents, patent application and domain names under the relevant agreements were transferred from Fujian Shuangfei to Prince Frog (China). All those six transferred trademarks are related to our 青蛙王子 (Frog Prince) brand. Our Directors estimate that all the transfers of trademarks from Fujian Shuangfei to Prince Frog (China) will be completed within one year from our Listing based on their experience. Our PRC legal advisers, Jingtian & Gongcheng, have advised us that there is no legal impediment for the transfers of the remaining 94 trademarks (including the trademarks newly registered according to the trademark applications transferred by Fujian Shuangfei to Prince Frog (China)) and two trademark applications under PRC laws. Our Controlling Shareholders, Mr. Xie and Jinlin Investment undertake that if Fujian Shuangfei fails to transfer these trademarks and trademark applications to Prince Frog (China), our Controlling Shareholders, Mr. Xie and Jinlin Investment will procure Fujian Shuangfei to grant Prince Frog (China) an exclusive and perpetual license to use these trademarks without any fee or charge.

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For details of those transfers, please refer to the paragraphs headed “Reorganisation and Financial Investments — Reorganisation — (1) Onshore Restructuring” in the section headed “History and Reorganisation” of this prospectus.

PROFIT FORECAST

On the bases and assumptions set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we forecast that our combined profit attributable to the equity holders of our Company for the six months ending 30 June 2011 is expected to be not less than RMB67.7 million.

The profit forecast is prepared on the basis of accounting policies consistent in all material respects with those currently adopted by us as described in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Pursuant to Rule 11.18 of the Listing Rules, we have given an undertaking to the Stock Exchange that the interim report for the six months ending 30 June 2011 will be audited.

SHARE OFFER STATISTICS

	<u>Based on the Offer Price of HK\$2.51</u>	<u>Based on the Offer Price of HK\$3.76</u>
Expected market capitalisation (<i>Note</i>)	HK\$2,510 million	HK\$3,760 million
Unaudited pro forma adjusted net tangible assets per Share	RMB0.61	RMB0.86

Note: The market capitalisation of our Company is calculated based on the minimum and maximum Offer Price and a total of 1,000,000,000 Shares in issue and to be issued immediately after completion of the Global Offering. Such number of Shares does not take into account any Shares which may fall to be allotted and issued pursuant to the Over-allotment Option or any options which may be granted under the Share Option Scheme.

USE OF PROCEEDS

PROPOSED USE OF NET PROCEEDS FROM THE ISSUE OF NEW SHARES

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering and excluding net proceeds from the sale of the Sale Shares and assuming that the Over-allotment Option is not exercised), assuming an Offer Price of HK\$3.14 per Share, being the mid-point of the proposed Offer Price range of HK\$2.51 to HK\$3.76 per Share, will be approximately HK\$713.7 million. We currently intend to apply these net proceeds for the following purposes:

- approximately HK\$285.5 million, or 40% to be used towards strengthening the marketing and promotion of our brands and products, expanding and strengthening the management of our sales network and channels, including the implementation of a fully integrated enterprise resource planning system;
- approximately HK\$214.1 million, or 30% to be used towards expanding and enhancing our production facilities and capacities, including construction of the second and third phases of our new plant and staff dormitory building and installation of new equipment in our new plant;
- approximately HK\$107.1 million, or 15% to be used towards expanding our product offerings;

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- approximately HK\$35.7 million, or 5% to be used towards enhancing our research and development capabilities, including installing new equipment in our research and development department, employing more technical personnel for our research and development team, establishing our new research and development centre in Shanghai and participating in joint development programs with universities and professional institutions; and
- approximately HK\$71.3 million, or 10% to be used towards providing funding for our working capital and other general corporate purposes.

In the event that the Offer Price is fixed at the highest end of the proposed Offer Price range, the net proceeds from the Global Offering (excluding net proceeds from the sale of the Sale Shares and assuming that the Over-allotment Option is not exercised) to us will be approximately HK\$862.5 million (assuming an Offer Price of HK\$3.76 per Share). In the event that the Offer Price is fixed at the lowest end of the proposed Offer Price range, the net proceeds of the Global Offering (excluding net proceeds from the sale of the Sale Shares and assuming that the Over-allotment Option is not exercised) to us will be approximately HK\$562.5 million (assuming an Offer Price of HK\$2.51 per Share). We will adjust the allocation of the net proceeds for the aforementioned purposes on a pro-rata basis.

To the extent that the net proceeds from the issue of new Shares are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the issue of the new Shares, when combined with such alternative sources of financing, are sufficient for the uses set forth above.

If the Over-allotment Option is exercised in full, we estimate we would receive additional net proceeds in the amount of approximately HK\$90.4 million (assuming an Offer Price of HK\$2.51 per Share, being the lowest end of the proposed Offer Price range), approximately HK\$113.0 million (assuming an Offer Price of HK\$3.14 per Share, being the mid-point of the proposed Offer Price range) and approximately HK\$135.4 million (assuming an Offer Price of HK\$3.76 per Share, being the highest end of the proposed Offer Price range) which we intend to apply as additional funding for the purposes above on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit them in short-term demand deposits and/or money market instruments.

No proceeds from the sale of the Sale Shares under the Global Offering will accrue to our Company.

DIVIDEND POLICY

We have declared and paid dividends of RMB95.0 million during the Track Record Period but we have not declared or paid any dividends since 1 January 2011 up to the Latest Practicable Date.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or

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credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, we currently intend to recommend a distribution to all Shareholders in an amount representing not less than 20% of the distributable net profit attributable to the equity Shareholders of our Company in each of the financial years following the Listing.

RISK FACTORS

There are numerous risks involved in our operations. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in PRC; and (iv) risks relating to the Global Offering and our Shares. A detailed discussion of the risk factors are set forth in the section headed “Risk Factors” in this prospectus. The following is a list of the risk factors:

Risks relating to our business

- Our performance and sales of our products may be materially and adversely affected if we fail to effectively promote our brands in particular our 青蛙王子 (Frog Prince) brand
- We may encounter difficulties in enhancing our sales network and expanding our sales channel
- Our success depends on our ability to effectively manage the business practice and the manners of our distributors
- Our brand image and business may be affected by our distributors’ failure to comply with the restrictions with regard to their exclusive distribution rights and other requirements under the distribution agreements
- Our distributors may accumulate excess or obsolete inventory and any excessive build-up of inventory could affect the volume of future orders from our distributors and thus have a material adverse impact on our business
- Our efforts to continuously diversify and develop our products may not be successful
- The use of our products may cause unexpected or undesirable side effects on our end-users which may give rise to quality control concerns, product liability claims and consumer complaints. These could materially and adversely affect our business and reputation
- Our brands and products may be subject to counterfeiting, imitation and/or infringement of intellectual property rights by third parties

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- Third parties may assert or claim that we have infringed their intellectual property rights
- Material unfavourable changes in our outsourcing cooperation with third-party manufacturers could adversely affect our product supply, quality and cost
- We do not maintain a large volume of raw materials and packaging materials at our production facility and thus, we are vulnerable to increases in the prices of raw materials and packaging materials and our cost of sales may increase
- We are dependent on the contribution of our key management personnel
- Our insurance coverage may not completely cover the risks related to our business and operations
- We may be unable to obtain financing on favourable terms, or at all, to meet our funding requirements
- Title defects affecting the properties in PRC that we lease could adversely affect our use of such properties
- Our sales may be subject to seasonality
- Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business

Risks relating to our industry

- We are required to obtain and maintain various licenses and permits to operate our business and the loss of or failure to renew any of these licenses and permits could adversely affect our business
- Changes in existing laws and regulations may cause us to incur additional costs to comply with more stringent rules, which could slow down our product development efforts and limit our growth and development

Risks relating to conducting business in PRC

- Changes in PRC's political, economic and governmental policies may have an adverse impact on our operations
- Unfavourable change in tax rate in China may have a negative impact on our results of operations
- Future changes in laws, regulations or enforcement policies in China may adversely affect us
- Restrictions on payment of dividend under PRC law and the tax exemptions on dividends received by our Company and the Shareholders may be affected by PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法)

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- Dividends payable by us to our investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws
- Changes in foreign exchange regulations may adversely affect our business, financial condition and results of operation
- Uncertainty in PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in which may in turn have an adverse impact on our operations
- We are subject to various environmental regulations and any failure to comply with these regulations or to control the associated costs may harm our business
- The enforcement of PRC Labour Contract Law (中華人民共和國勞動合同法) and other relative regulations may adversely affect our business and our 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
- The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders
- The interests of our Controlling Shareholders may not always coincide with our interests and our other Shareholders, and our 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
- Investors will experience immediate and substantial dilution as a result of the Global Offering
- Future sales or a major divestment of Shares by any major Shareholder could materially and adversely affect our Share price
- Shareholders' interests may be diluted as a result of additional equity fund-raising
- Investors should not place undue reliance on industry and market information and statistics from official government publications contained in this prospectus
- Investors should not place undue reliance on information derived from the research report and market survey contained in this prospectus
- The costs of the 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
- You may face difficulties in protecting your interests under Cayman Islands law
- 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