You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that, although our Company is incorporated in the Cayman Islands, our Company's business is located almost exclusively in PRC and our Company's operations are governed by a legal and regulatory environment which in some respects may differ from what prevails in other countries. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks.

We believe that there are numerous risks involved in our operations, many of which are beyond our control. 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.

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

Our brand image can influence consumers' decisions in purchasing our products and therefore we believe that the reputation and market recognition of our brands, in particular our 青蛙王子 (Frog Prince) brand, is one of the winning factors to our success. Our business and market positions largely depend on our ability to successfully promote our brands and our ability to continue to offer new products which follow the market trend under our brands. We promote and enhance our brand image through marketing and advertising methods including (i) 青蛙王子 (Frog Prince) animation series; (ii) television commercials; (iii) advertisement in magazines and newspapers and on billboards, banners and public transportation; (iv) in-store marketing and promotional activities; and (v) attending industrial promotional exhibitions. These marketing strategies play an important role in building up our brand image and have been very successful. However, we cannot give assurance that our marketing and promotional activities will remain effective if there is any change in market conditions. If we fail to promote and enhance the image of our brands to adapt to such changes, our reputation may be adversely affected and we may fail to enhance our brand recognition successfully as planned and the demand for our products may decline or fail to increase to the degree we have expected. As a result, we may lose our competitive advantages and our business, financial conditions and results of operations may be materially and adversely affected.

We may encounter difficulties in enhancing our sales network and expanding our sales channel

As of the Latest Practicable Date, we had 173 distributors, through which we distribute our products to various types of retail stores, such as hypermarkets, supermarkets, mother and children products specialty stores and convenience stores, located all over China. As part of our business strategy, we plan to enhance our sales network by optimising the sales performance of our distributors, and to further expand our sales channels by improving the penetration of our products to more types and increasing numbers of retail stores all over China. However, the success of our optimisation and expansion plan is subject to, among other things, the following factors: (i) the existence and availability of suitable regions and locations for expansion of our sales network; (ii) our ability to negotiate favourable cooperation terms with our distributors; (iii) the availability of suitable distributors; (iv) the availability of adequate management and financial resources; (v) the ability of our distributors to improve their sales performances and expand the coverage of their sub-distribution and retail network; and (vi) our ability to hire, train and retain skilled personnel as well as implementing other operational and management systems to adapt to an expanded sales network. Therefore, we cannot assure you that we will be able to achieve our optimisation and expansion goals or effectively integrate any new distributors into our existing sales network. If we encounter difficulties in optimising our sales network and expanding our sales channels, our growth prospects may be limited, which may in turn have a material adverse impact on our business, financial condition and results of operations.

Our success depends on our ability to effectively manage the business practice and manners of our distributors

We currently do not own or operate any retail outlets, and we depend on our distributors to sell our products. We offer our products to our distributors over designated geographical regions or specified sales channels within a designated geographical region who then distribute and resell our products to its sub-distributors and/or ultimate retailers within such region. The sales performances of our distributors are therefore crucial to the future growth of our business and directly affect our success in our business. As of the Latest Practicable Date, we had 173 distributors throughout China. Although we have adopted a management system to monitor our distributors' sales performance, we cannot give assurance that the sales performance of our distributors will achieve the sales target that we have set out for them.

In addition, we do not have any contractual relationship with the downstream sub-distributors and the ultimate retailers. As a result, we do not have direct control over the ultimate retail sales of our products by these sub-distributors and retailers. We formulate our sales policies, such as suggested retail price for each of our products as a price reference for the retailers to determine the final retail price of our product. Despite that we have a pricing policy in place and that we have regional sales teams to monitor the actual retail prices of our products from time to time, we cannot give assurance that our suggested retail prices will be followed by the sub-distributors and ultimate retailers. If our contracted distributors fail to effectively implement the terms of our distribution agreement and our pricing policy, and the sub-distributors and ultimate retailers fail to follow our suggested retail prices, artificial price fluctuation may be induced which may adversely affect the sales of our products and may in turn materially and adversely affect the results of our operations.

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

We generally enter into a standard distribution agreement with each of our distributors in China. Under the distribution agreement, each of our distributors is granted an exclusive distribution right to sell and distribute our products over a designated geographical area or specified sales channels within a designated geographical area in accordance with the terms of the distribution agreement. In the event that any of our distributors violates such restrictions on the geographical region or sales channel under the distribution agreements, or fails to comply with other requirements in the distribution agreements, disorder or confusion may arise affecting our sales network and marketing strategies, our brand image and reputation, and in turn our business, financial condition and results of operations may be materially and adversely affected.

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

We sell all of our products to our distributors, who maintain their own inventories of our products. Our distributors, and their sub-distributors and ultimate retailers in turn distribute our products to end consumers through various types of retail stores. In order to track the inventory level of our distributors, our personnel conduct visits to our distributors from time to time in an effort to assess their inventory levels. However, we may not be able to accurately track the inventory levels of our distributors or to identify any excessive inventory build-up at various level of our distribution network. In addition, our distributors may be unable to sell an adequate amount of their inventories of our products in a given period to retailers, which may result in a build-up of inventory at our distributors. In such event, these distributors may reduce future orders until their inventory levels realign with demand from their sub-distributors or ultimate retailers. As such, any excessive build-up of inventory levels of our distributors could reduce the volume of future orders from our distributors and thus have a material adverse impact on our sales to our distributors and accordingly, our financial condition and results of operations.

Our efforts to continuously diversify and develop our products may not be successful

The children care products market is highly competitive and consumers are tempted to change their choices and preferences whenever new products are launched or introduced by various marketing and promotional events of different brands owned by our competitors. In order to keep our leading position in this competitive market, we need to keep upgrading our existing product series and develop new and innovative products to respond to consumers' demands and market changes. The launch of new product series and development of new product categories involve inherent risks, such as making incorrect judgments as to consumer preferences, the anticipated levels of demands and/or the price ranges for the new products. We may also lack sufficient experience in research and development, marketing and promotion for new products. In addition, although we have adopted and will continue to adopt stringent quality control procedures, we cannot assure you that the quality of our products will remain high and stable. Failure to successfully translate market trend into attractive product offerings, recover development, production and marketing costs of unsuccessful new products or maintain the high quality of our products in the future may adversely affect our market share, financial condition and overall profitability and financial performance.

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 products contain a number of ingredients, some of which or the combination of which may cause side effects that are unknown to us. Likewise, some of the raw materials we use in our production may contain harmful chemicals or substances which we may not be able to detect and may cause undesirable side effects to our end-users. As at the Latest Practicable Date, we were not aware of any report on side effects of our products that might be harmful to our consumers. However, we cannot give assurance that the use of our products will not have undesirable side effects on our consumers in the future. If any side effects occur or if the use of our products are perceived to give rise to any side effect, we may be affected financially as a result of related product recalls or returns, which in turn could lead to severe reputational damage, monetary loss or lawsuits. Our business, financial condition and results of operations will be materially and adversely affected if our consumers lose confidence in our brands and products and stop or decrease in the purchase of our products.

We have adopted and will continue to adopt stringent quality control measures. Save as disclosed in the section headed "Business — Quality Control" of this prospectus, our children care products had complied with all national standards in China. 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)[1] 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 products; and (ii) Pony[2] to conduct additional independent tests of all of our household hygiene products currently in production, which found that all of them were in compliance with the national standards in China. We also provide quality assurance to our distributors and consumers by allowing them to exchange products with quality or packaging defects. As we have never had an occasion when we had to recall any of our products due to quality defects, we do not currently have in place a product recall procedure. We are currently reviewing the situation and will consider adopting measures that allow us to voluntarily recall products from the market if we become aware of any quality defects or other issues relating to the quality of our products. However, we cannot give assurance that all our products can and be in compliance with all industry standards and requirements under the relevant PRC laws and regulations in the future and we may be able to adopt sufficient measure to ensure the exchanges will be done efficiently.

Our brands and products may be subject to counterfeiting, imitation and/or infringement of intellectual property rights by third parties

We rely on intellectual property laws in PRC and other jurisdictions to protect our trademarks and other intellectual property rights. Our products have been subject to counterfeiting and imitation from time to time. Although we have successfully detected and taken actions in cooperation with the relevant PRC authorities in several counterfeiting cases, we cannot assure that counterfeiting or imitation of our products will not occur in the future or, if it does occur, that we will be able to effectively detect or address the problem in a timely manner. Any occurrence of counterfeiting or imitation of our products or other infringement of our intellectual property rights could negatively affect our reputation and brand image, which will lead to loss of consumer confidence in our brands and in turn adversely affect our results of operations. In addition, any litigation to prosecute infringements of our intellectual property rights and products will be expensive and will divert the management's attention as well as other resources away from our business. As a result, such litigation may have a material adverse effect on our business, financial condition and results of operations.

Third parties may assert or claim that we have infringed their intellectual property rights

Intellectual property rights, such as trademarks, copyrights and patents, are of great importance in the consumer products industry as they protect brand image, product formulation and other valuable rights which are critical to our business development. Our competitors or other third parties may have intellectual property rights and interests which could potentially come into conflict with ours. If any intellectual property disputes and claims against us are successful, we

Notes:

1. *As of 18 February 2011.*
2. *As of 16 February 2011.*

may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights. In that case, we may be forced to redesign our products so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us may significantly disrupt our business, divert our management's attention as well as other resources away from our business. As a result, any intellectual property disputes may have a material adverse impact on our business, financial condition and results of operations.

Material unfavourable changes in our outsourcing cooperation with third-party manufacturers could adversely affect our product supply, quality and cost

For the years ended 31 December 2008, 2009 and 2010, our outsourcing cost accounted for approximately 27.7%, 24.0% and 22.5% of our total cost of sales, respectively. We did not experience any material quality problem or delay in supply of our outsourced products manufactured by third-party manufacturers during the Track Record Period. However, there is no assurance that those third-party manufacturers will be able to provide us with products of sufficiently high quality either in a timely manner or at a competitive price in the future, and we may, from time to time, need to reject products that do not meet our standards or specifications. These may result in a stock shortage or potential delay in delivering products to our customers. In addition, in the event of any significant increase in outsourcing cost, we may not be able to pass these increases onto our customers due to competitive pricing pressures. In such cases, we may have to seek alternative third-party manufacturers with comparable prices and high quality products or develop similar manufacturing capabilities internally. If we are unable to locate suitable alternative third-party manufacturers or manufacture these products internally, we may have to reduce or cease our sales of such items, which in turn may have a material adverse effect on our business, financial condition, results of operations and prospects.

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 have limited warehousing space at our current production premises and therefore do not maintain a large volume of raw materials or packaging materials at our production premises. We purchase raw materials and packaging materials from suppliers regularly, thus eliminating the need to store a large volume of raw materials and packaging materials. The costs of raw materials and packaging materials represent a significant portion of our cost of sales. In order to prevent any significant price fluctuation and potential shortage of our raw and packaging materials, we normally stock sufficient amount of those materials for our production for 15 to 30 days. However, we cannot give assurance that we will not encounter fluctuations in the price of raw materials and packaging materials due to factors beyond our control such as inflation, changes of weather or changes in the supply and demand for such raw materials. We may have difficulty passing such increase onto our consumers as this will render our products less competitive. If the prices of raw materials and packaging materials increase in the future and we cannot pass such increase onto our consumers, we may not be able to maintain our current gross profit margins and our business, financial condition and results of operations may be materially and adversely affected.

We are dependent on the contribution of our key management personnel

Our future success depends, to a significant extent, on the continuous service of key members of our management team. If we were to lose the services of any of the existing key management members without a suitable replacement, or were unable to attract new qualified members to join our management team with suitable experience as we grow, there could be a negative impact on the operations and business of our Group. Our chairman, chief executive officer and executive Director, Mr. Li, and our executive Director and vice general manager, Mr. Xie, are both our founding members of our Group who have played an important role in forming the business direction and promoting the growth of our Group. Mr. Ge Xiaohua, our executive Director and the vice general manager of our domestic sales department, possesses extensive knowledge and experience in the personal care product industry and has made significant contributions to the development of our Group. Our expansion plans and future success depend on our ability to maintain a skilled and experienced management team. Moreover, our industry is characterised by high demand and intense competition for talented personnel. We may not be able to attract or retain highly skilled employees or key personnel. The competition for experienced personnel in China may increase our labour costs, which would in turn increase our costs of operations and affect our profitability.

Our insurance coverage may not completely cover the risks related to our business and operations

Natural disasters, war, terrorist acts, political unrest and epidemics, or other events beyond our control may adversely affect our business, financial condition and results of operations. If any of these events occur, we may have to bear the risk of loss of raw materials or finished products in transit. We may also face the risk of loss or damage to our properties, machinery and inventories. Furthermore, we are subject to hazards and risks that are normally associated with our daily operations. Our operations will be interrupted or damaged by fire, floods, power failures, natural disasters and other events beyond our control at our production facility. As a result, our business, financial condition and results of operations may be materially and adversely affected as a result of these interruptions. In addition, we may also be exposed to product liability claims if the use of any of our products, including those sold to overseas markets under our OEM operations, is alleged to have undesirable harmful side effects. We cannot give assurance that our insurance policies are sufficient to cover all the risks associated with our operations. Although we are not required under PRC laws to maintain any product liability insurance, we are in the process of identifying appropriate product liability insurance for all our products in China. In the meantime, we are reliant on the effectiveness and integrity of the manufacturing and quality control processes we have in place to eradicate or to reduce the risk of product liability claims. Such manufacturing and quality control processes may not be effective or sufficient in preventing product liability claims in which case our financial condition may be affected by such claims.

For our OEM products, we only manufacture our OEM products according to our OEM customers' requirements and do not directly sell our OEM products to end-consumers in other jurisdictions. In line with industry practice, we also do not maintain any product liability insurance in other jurisdictions in respect of our OEM products sold to our overseas customers under our OEM operations. However, to further mitigate our risks from any possible liabilities arising from our OEM products sold and distributed in other jurisdictions by our overseas customers in the future, we will, from July 2011 onwards, request in the contracts to be made with our OEM customers that the specification of our OEM products provided by them complies with the requirements for such products under the laws of the jurisdictions where they sell our OEM products. Such preventive measures may still prove insufficient and we may still be subject to claims made by other relevant parties, such as the end-consumers of the products, under the laws of the relevant jurisdictions.

Losses incurred for liabilities not covered by our insurance policies may have a material and adverse impact on our business, financial condition and results of operations.

We may be unable to obtain financing on favourable terms, or at all, to meet our funding requirements

We currently fund our operations primarily from the proceeds from sales of our products, bank loans and through capital injections by our Shareholders. With the aim to continually expanding our business and keeping our leading market position, we may need to obtain further financing from external sources to supplement our liquidity in the future. Our ability to obtain external financing in the future is subject to a number of uncertainties, including but not limited to the following: (i) regulatory approvals for financing in the domestic or international markets; (ii) our financial condition, results of operation, business reputation, cash flow and credit history; (iii) the condition of the global and domestic financial market; and (iv) changes in PRC monetary policy with regard to bank interest and lending practices and conditions. As at 30 April 2011, our Group's total indebtedness amounted to RMB65.8 million which consisted of unsecured bank loan of approximately RMB15.8 million and secured bank loans of approximately RMB50.0 million. However, even with such a good credit record, we cannot assure you that we will be able to obtain bank loans or renew existing facilities in the future on favourable terms or at all. We also cannot give assurance that we will not be affected by the fluctuation in the interest rates on external financing secured or to be secured to fund our operations and planned expansion. If adequate funding is not available to us on favourable terms, or at all, we may not be able to fund our existing operations, develop or expand our business, and therefore our business, financial condition and results of operations in turn may be materially and adversely affected.

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

As at the Latest Practicable Date, we leased six properties in PRC, with an aggregate gross floor area of approximately 18,200 square meters. Out of these leased properties, two are our production premises, offices and warehouse located in Zhangzhou and are used for the production of our skin care and body and hair care products, the remaining four, located in Zhengzhou, Guangzhou, Linyi and Xi'an, respectively, are all warehouses used for the storage of our products. The lessors of the above leased properties have not been able to provide us with full and complete title documents in respect of such properties, such as the real estate title certificates and/or the building permits, or the consent of the owner for subleasing the properties to us.

As advised by our PRC legal advisers, Jingtian & Gongcheng, as a result of such title defects, the leases for such properties may be considered as invalid under PRC laws and we may be required to cease occupation and usage of such leased properties, in which case we will have to relocate those production premises and warehouses. Our Directors estimate that the relocation of such production premises and warehouses may take approximately one month and confirm that such defective properties are not crucial to our business and operations for the following reasons: (a) we can easily identify suitable properties in appropriate areas for relocation, if required, and (b) the operation of the leased production premises is not substantial and we have commenced the production of the products previously manufactured in that leased production premises in our new plant since May 2011. In addition, we have obtained confirmations from each of the lessors of the above leased properties that the lessors will be responsible for, and will fully and immediately indemnify us against, all our liabilities and losses arising from any disputes, claims or penalties in connection with the title of such leased properties. Moreover, our Controlling Shareholders, Mr. Xie and Jinlin Investment have also confirmed that they will fully indemnify us against our losses, costs and any other expenses as a result of relocation of such production premises and warehouses. As such, our Directors believe that the relocation of any of the leased properties will not lead to any material adverse effect on our business and financial condition.

Our sales may be subject to seasonality

Our results of operations are affected by seasonal fluctuations in demand for our products. We generally experience higher sales of our skin care products in winters while we sell more body and hair care products in summers. As our skin care products contributed a significant portion of our sales, we generally record higher sales and results of operation in the second half of the year. Unexpected and abnormal changes in weather may also affect the sales of our products that are timed for release in a particular season. Furthermore, our sales are also affected by national holidays, such as the Chinese New Year holidays in the early spring, the Labour Day holiday in early May, the International Children's Day in early June and the National Day holidays in early October.

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

Our business is subject to general economic and social conditions in China. Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of the people of China. Some cities in China are particularly susceptible to floods, earthquakes, sandstorms and droughts. Political unrest, acts of war and terrorist attacks may cause damage or disruption to us, our employees or our facilities. Potential outbreak of war or terrorists attacks may also cause our business to suffer in ways that we cannot currently predict. In addition, certain Asian countries and regions have encountered epidemics such as Severe Acute Respiratory Syndrome ("**SARS**"), or swine flu. Past occurrence of epidemics has caused different degrees of damage to the national and local economies in China. A recurrence of an outbreak of SARS, swine flu or any other similar epidemic could cause a slowdown in the levels of economic activity generally. If any of such natural disasters occurs, our business, revenue, financial condition and results of operation may be materially and adversely affected.

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

In accordance with PRC laws and regulations, we are required to obtain and maintain various licenses and permits, including Hygiene License for Cosmetics Production Enterprise (化妝品生產企業衛生許可證) and Production License of Industrial Products (工業產品生產許可證), for production of our different products. We are required to comply with applicable health and hygiene quality standard and production safety standards in relation to our production processes. Our products are subject to regular and random inspections in order to comply with the rules and regulations of the relevant hygiene authority and quality and technology supervision administration. Failure to pass these inspections and to comply with the licensing or other regulatory requirements may result in temporary or permanent suspension of our production, which will materially and adversely affect our operations, financial conditions and business. Furthermore, we cannot give assurance that the State Food and Drug Administration (國家食品藥品監督管理局), General Administration and other relevant government authorities in China will not introduce new regulations to impose more stringent production requirements.

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

We are subject to various laws and regulations relating to personal care products, general consumer protection and product safety in the products. In particular, we are subject to laws and regulations of PRC, where all our products are produced and substantial quantities of our products are sold. For example, the Administrative Regulations on Cosmetics Labeling (化妝品標識管理規定) (the "Administrative Regulations") promulgated on 27 August 2007, which takes into effect on 1 September 2008, has set out new requirements for producers of cosmetics products with regard to the information required and/or prohibited in a product label. Specifically, the producer is required to provide detailed information about the place where the product is produced, the name and the address of the producer, production date, expiry date and batch number, details of applicable industry or state standards, quality inspection certificate and product license number. In accordance with this new regulation, the label must not contain any information claiming or implying any medical or therapeutic effects. As disclosed in the paragraphs headed "Quality Control" under the "Business" section of this prospectus, certain of our products failed to pass certain testing standard during the Track Record Period. Save for such incidents, Zhangzhou Product Quality and Technical Supervision (漳州市質量技術監督局) issued two letters of confirmation both dated 2 June 2011, respectively confirming that since the establishment of our Group and up to the date of the confirmations, all our products had complied with all requirements for product quality under the relevant PRC laws and regulations, and had not been involved in any dispute with and subject to any penalty imposed by the said authority. As advised by our PRC legal advisers, Jingtian & Gongcheng, such government authority was competent and appropriate to provide such confirmation. Please refer to that section of this prospectus for further details. There are also certain non-compliances incidents of our Group. Please refer to the paragraph headed "Litigation and Compliance" under the "Business" section of this prospectus. Further, as advised by our PRC legal advisers, Jingtian & Gongcheng, saved as disclosed in this prospectus and based on the relevant confirmation letters issued by the competent authorities, our Group has obtained all requisite licenses, permits and approval for our production and our Group's products have passed all regular and random inspection during the Track Record Period and up to the Latest Practicable Date. However, we cannot give assurance that we will be able to comply with all such laws and regulations in the future. Moreover, laws and regulations in PRC also change from time to time and these may impose more stringent requirements on operations of this industry. As a result, we may have to incur additional costs to comply with these laws and regulations, which in turn may slow down our research, development and production of our products and have a material and adverse impact on our business, financial condition and results of operation.

RISKS RELATING TO CONDUCTING BUSINESS IN PRC

Changes in PRC's political, economic and governmental policies may have an adverse impact on our operations

We conduct substantially all of our business in China and plan to continue expanding our business into new geographic areas in China. All of our assets are currently situated in PRC and most of our revenue is generated from products manufactured and sold in China. Accordingly, our business, financial condition and results of operation are subject to political, economic and legal developments in China to a significant degree. China's economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, growth rate, control of foreign exchange, allocation of resources and capital reinvestment. Historically, PRC economy was centrally-planned. With the implementation of the "Open and Reform" policy, China has gradually shifted from a planned economy toward a market-oriented economy. PRC government has also implemented various measures to encourage economic development and guide the allocation of resources. However, continued governmental control of the economy may adversely affect us. We cannot assure that PRC government will continue to pursue economic reforms. Changes in policies and measures of PRC government to regulate the economy may in turn have a negative effect on us, including the introduction of measures to control inflation, deflation, or reduce growth, or changes in the rates or methods of taxation.

Unfavourable change in tax rate in China may have a negative impact on our results of operations

On 16 March 2007, the National People's Congress of PRC promulgated the Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法) (the "PRC Enterprise Income Tax Law"), which took effect as of 1 January 2008. In December 2007, the Implementation Rules of the Enterprise Income Tax Law of PRC were promulgated on 6 December 2007 (the "Implementation Rules") (企業所得稅法實施條例), which also took effect as of 1 January 2008. Under PRC Enterprise Income Tax Law and the Implementation Rules, a uniform tax rate of 25% for all enterprises is applied and the enterprises which have already been established prior to the promulgation of PRC Enterprise Income Tax Law and enjoy the preferential treatment of tax exemption for a fixed term may, according to the provisions of the State Council, continue to enjoy such treatment after the promulgation of PRC Enterprise Income Tax Law until the fixed term expires. However, for those who have failed to enjoy the preferential tax treatment due to their failure to make profits, their entitlements to the preferential tax treatments are counted from 2008. We are still entitled to the preferential tax treatment with 50% reduction of our income tax rate which reduces the tax rate from 25% to 12.5% for the years ending 31 December 2010, 2011 and 2012. If there is any change to PRC Enterprise Income Tax Law and the Implementing Regulations which speed up the abolition of the preferential tax treatment in China, our tax burden will be increased and our financial results will be adversely affected.

Future changes in laws, regulations or enforcement policies in China may adversely affect us

Laws, regulations or enforcement policies in China, including those regulating the personal care products industry, are evolving and subject to frequent changes. Further, regulatory agencies in China may periodically, and sometimes abruptly, change their enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future action. Any enforcement actions against us may have a material and adverse effect on us and the market price of our Shares. In addition, any litigation or governmental investigation or enforcement proceedings in China may be protracted and may result in substantial cost and diversion of resources and management attention, negative publicity, damage to our reputation and a decline in the price of our Shares.

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)

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits with regard to the subsidiaries of our Company incorporated in PRC means their after tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that is required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. The calculation of distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. As a result, a subsidiary of our Company incorporated in PRC may not be able to pay dividend in a given year to our Company if it does not have distributable profits as determined under PRC GAAP, even if it has profits for that year as determined under IFRS. Accordingly, since our Company derives all of its profits from its subsidiary, it may not have sufficient distributable profits to pay dividends to its Shareholders, even if there is such an amount as shown in its accounts prepared under IFRS.

Moreover, under PRC Enterprise Income Tax Law, enterprises established under the laws of foreign jurisdictions other than China may nevertheless be considered as resident enterprises in China for tax purposes if the actual institution of management of these enterprises is located within China. Substantially all of our Group's management team members are domiciled in China. If most of them continue to reside in PRC, our Company may bear the risk that it may be recognised as a PRC resident enterprise and therefore subject to PRC Enterprise Income Tax at a rate of 25% on its worldwide income. If this happens, our Company's distributable profits may be adversely affected. In addition, dividend payments between certain "qualified PRC-resident enterprises" are exempt from income tax under the Enterprise Income Tax Law, and the Implementation Rules refer to "qualified PRC-resident enterprises" as enterprises with "direct equity interest", but it remains unclear what the detailed qualification requirements for such exemptions are, and whether dividends distributed by our PRC operating subsidiary to our Company will meet such qualification requirements and thus constitute dividend income between qualified resident enterprises which qualifies for tax exemption treatment even if our Company are considered PRC-resident enterprises for tax purposes.

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

Under the new PRC Enterprise Income Tax Law and the Implementation Rules, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" that do not have an establishment or place of business in PRC, or that have an establishment or business but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends have their sources within PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if the gain is regarded as income derived from sources within PRC. If we are considered as a PRC "resident enterprise", it is unclear whether the dividends we pay with regard to our Shares, or the gain investors may realise from the transfer of our Shares, would be treated as income derived from sources within PRC and be subject to PRC tax. If we are required under the new PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if investors are required to pay PRC income tax on the transfer of their Shares, the value of their investment in our Shares may be materially and adversely affected.

Changes in foreign exchange regulations may adversely affect our business, financial condition and results of operation

We are a holding company incorporated in the Cayman Islands, and we operate our core business through our subsidiary in China. Therefore, we receive almost all of our revenues in RMB, which is not freely convertible into other currencies. As a result, any restrictions on currency exchange may limit the ability of our subsidiaries to use our revenue generated in RMB to pay dividends to us. Under existing PRC foreign exchange regulations, our PRC subsidiary may make payment of dividends without prior approval from SAFE by producing documents including but not limited to board resolutions evidencing dividend allocation, provided that they are processed through PRC banks licensed to engage in foreign currency transactions. However, conversion of currency in the capital amount is still subject to the SAFE approval. PRC government has stated publicly that it intends to make the RMB freely convertible in the future. However, it remains uncertain whether PRC government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in PRC. There is also no assurance that PRC regulatory authorities will not impose further restrictions on currency exchanges. If PRC Government does restrict such access or impose such restrictions, our ability to pay dividends or to satisfy other foreign exchange requirements may be adversely affected.

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

PRC legal system is based on PRC Constitution and is made up of written laws, regulations, circulars and directives. PRC government is still in the process of developing its legal system by establishing a comprehensive statutory framework so as to meet the needs of investors and encourage foreign investment. As China's economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain circumstances.

Some of our laws and regulations, and interpretation, implementation and enforcement thereof, are gradually evolving and subject to policy changes. We cannot assure you that the introduction of new laws, changes to the existing laws and the interpretation or implementation will not have an adverse impact on our business or our results of 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

We are required to comply with various and extensive environmental, health, hygiene and safety laws and regulations promulgated by the relevant PRC government authorities. Our failure to comply with these laws and regulations will result in penalties, fines, suspension or revocation of our licenses or permits to conduct our business, administrative proceedings and litigations. Considering the magnitude and complexity of these laws and regulations, compliance with them may be burdensome or require a significant amount of financial and other resources. These laws and regulations change from time to time and thus we cannot give assurance that PRC government will not impose any additional or more stringent laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to our distributors. Such problems may materially and adversely affect our business, financial condition and results of operations.

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

The National People's Congress of China passed PRC Labour Contract Law on 29 June 2007, which took effect on 1 January 2008. Compared to PRC Labour Law (中華人民共和國勞動法), PRC Labour Contract Law establishes more stringent requirements and increases the cost to employers upon termination of employment contracts, including but not limited to specific provisions related to fixed-term employment contracts, temporary employment, probation, employment without a contract, dismissal of employees, compensation upon termination and overtime work. Under PRC Labour Contract Law, an employer is obliged to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts except for certain circumstances specified in PRC Labour Contract Law. The employer may be required to pay compensation to employees if the employer terminates an unlimited term labour contract or any fixed term contract at its expiry, unless the employee voluntarily terminates the contract or reject to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the original contract. Furthermore, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which came into effect on 1 January 2008, employees who have served more than one year with an employer are entitled to paid vacation ranging from five to 15 days, depending on their length of service. Employees who have waived paid vacation as required by their employers shall be compensated at three times of their normal salaries for each paid vacation day that is waived. Our labour costs may increase due to these series of new protective labour measures. We did not experience any material dispute and do not have any compensation obligation relating to our employment contracts with our employees under PRC Labour Contract Law during the Track Record Period. However, we cannot give assurance that our labour relationship with our employees under these laws and regulations will remain harmonious as before and that disputes or work strikes will not arise in the future.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

Our Shares are not listed on any stock exchange or organized trading market, including in PRC. Prior to the Global Offering, there has not been a public market for our Shares. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. The Offer Price of the Shares will be determined through negotiations between us (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of itself and the Underwriters), and it may not necessarily be indicative of the market price of the Shares after the Global Offering is complete. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares.

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

The price at which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;

- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the children's products companies.

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

The 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

Our Controlling Shareholders will control the exercise of voting rights of 30.84% of the Shares eligible to vote in our general meeting immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, the Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to control actions which do not require the approval of independent Shareholders. Subject to our Memorandum and Articles as well as the Companies Law, our Controlling Shareholders will also be able to control the election of our Directors, alter our share capital, make amendments to our Memorandum and Articles, determine the timing and amount of our dividends, if any, and pass resolutions to acquire or merge with another company not connected with our Controlling Shareholders. Our Controlling Shareholders may cause us to take actions that are not in, or may conflict with, the interests of us or the public Shareholders. In the case where the interests of our Controlling Shareholders conflict with those of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholders and the price of the Shares could be adversely affected.

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

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

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

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

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

We may need to raise additional funds in the future to finance further expansion of our capacity and business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

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

This prospectus contains information and statistics derived from official government publications, including but not limited to information and statistics relating to PRC, the baby and children care products market, and the insecticide and air freshener markets. We believe that the sources of these information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We cannot ensure the accuracy of such information and statistics and such information may not be consistent with other information publicly available or available from other sources. Prospective investors should not place undue reliance on any of such information and statistics contained in this prospectus.

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

This prospectus contains information derived from the research report by Euromonitor including but not limited to information and statistics relating to PRC, the baby and children care products, the insecticide and air fresheners markets and the market survey from Frost & Sullivan. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Prospective investors should not place undue reliance on any of such information contained in this prospectus.

The costs of 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

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

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

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

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

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

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

There have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering such as regarding our profit forecast and operations. Such press and media coverage may include references to certain events or information that does not appear in this prospectus, including certain financial information, financial projections and valuations. We have not authorized the disclosure of any such information in the press or other media. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares or the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions on whether to invest in our Shares or in the Global Offering. You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares.