
INDUSTRY OVERVIEW

This section contains information and statistics relating to PRC economy and the industry in which we operate. Unless otherwise specified, the information and statistics set out in this section have been extracted, in part, from various official government publications. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by the Directors in extracting and reproducing such information and statistics; however, none of our Company, the Sole Global Coordinator, the Sole Bookrunner, the Joint Sponsors, the Joint Lead Managers, the Underwriters, their respective directors and advisers or any other party involved in the Global Offering make any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside PRC. Certain information set forth in this section has been extracted from an industry report we commissioned from Euromonitor and a market survey we commissioned from Frost & Sullivan, both being independent industry consultancy firms. For the qualifications of Euromonitor and Frost & Sullivan, please refer to the paragraph headed “G. Other Information — 9. Qualifications of experts” in Appendix VI to this prospectus.

We engaged Euromonitor, one of the world’s leading industry consultancy firms, to conduct a detailed study of the baby and children care products as well as household care products, in particular insecticides and air fresheners in China. For the qualifications of Euromonitor, please refer to the section headed “G. Other Information — 9. Qualifications of experts” in Appendix VI to this prospectus.

To the best of the Directors’ information and belief, the information contained in the Euromonitor Report is derived by means of data and intelligence gathering methodology which includes (i) specialist trade press, official statistics and reports from government, reports or documents prepared by trade associations and the database maintained by Euromonitor; (ii) company research by reviewing information contained in the annual reports and accounts published by the major manufacturers in the relevant industries; and (iii) primary research by conducting trade interviews. Euromonitor would then carry out data validation and integrity assessment to verify the data and information collected. The projection made by Euromonitor is prepared based on a comprehensive and in-depth review over the historical market development, and a cross-check with government or industry figures or trade interviews.

We engaged Frost & Sullivan to conduct a market survey on the brand awareness of baby and children care products in China. For the qualifications of Frost & Sullivan, please refer to the paragraph headed “G. Other Information — 9. Qualifications of experts” in Appendix VI to this prospectus. Frost & Sullivan prepared its report based on face-to-face interviews with 2,300 customers in 2010 in 24 major cities in China on the overall brand awareness of baby and children care products, which include baby and children skin lotions, baby and children bathing products, baby and children oral care products and baby and children paper products.

Certain information set forth in this section and the section headed “Business” of this prospectus has been extracted from the Euromonitor Report and the Frost & Sullivan Report. The consultancy fees paid by our Company to Euromonitor and Frost & Sullivan in connection with the preparation of the Euromonitor Report and the Frost & Sullivan Report are US\$38,000 and RMB330,000, respectively.

We believe that the Euromonitor Report and the Frost & Sullivan Report are appropriate sources of information that have been extracted for inclusion in this section and the section headed

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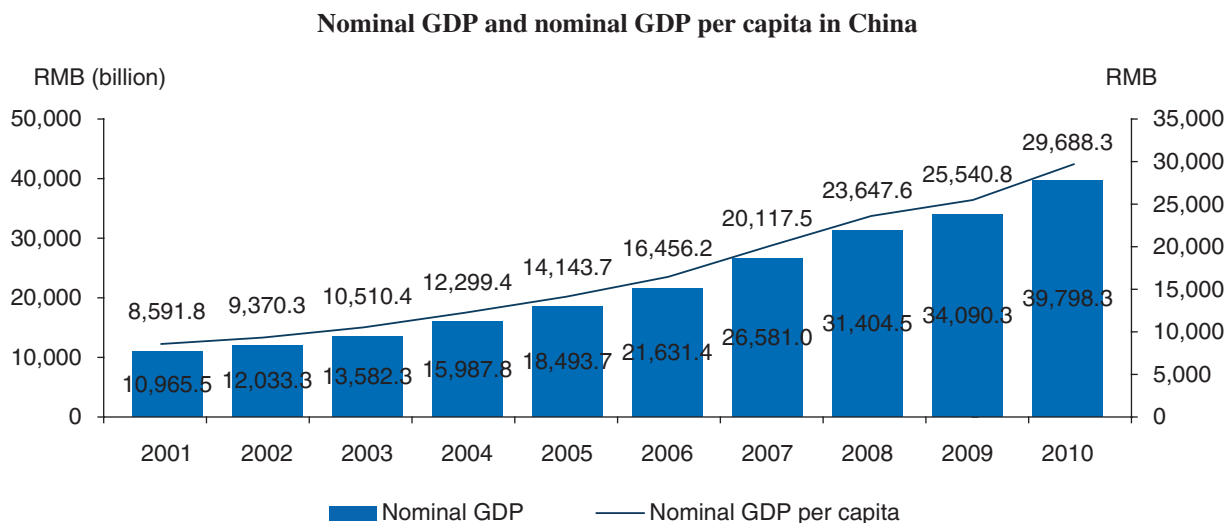
“Business” of this prospectus and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any other parties involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW OF THE ECONOMY OF CHINA

Growth of China’s economy

China’s economy has expanded rapidly since the economic reform initiated by the Chinese government in the late 1970s. Nominal GDP of China grew from RMB10,965.5 billion in 2001 to RMB39,798.3 billion in 2010, representing a CAGR of 15.4%. As a result, nominal GDP per capita of China also increased from RMB8,591.8 in 2001 to RMB29,688.3 in 2010, representing a CAGR of 14.8%.

The chart below illustrates China’s nominal GDP and nominal GDP per capita from 2001 to 2010.



Source: National Bureau of Statistics of China, Euromonitor

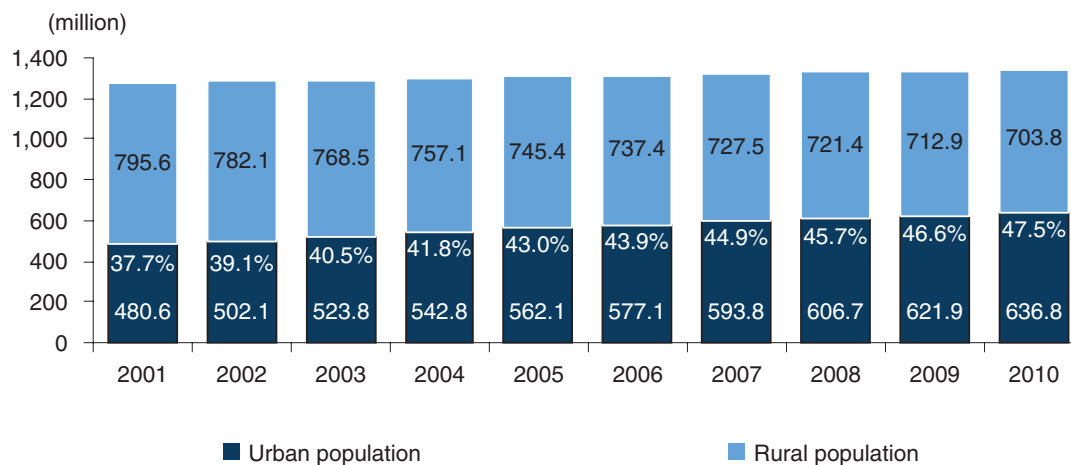
Rising urbanisation trend

Urbanisation has risen in China as a result of the country’s rapid economic growth. Population in urban cities has swelled with the influx of immigrants from the rural and less developed areas. From 2001 to 2010, the total urban population of China increased by 32.5% or approximately 156.2 million to reach 636.8 million with the urbanisation rate of 47.5% in 2010.

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The chart below illustrates the breakdown between urban and rural population and urbanisation rate in China from 2001 to 2010.

Urban and rural population and urbanisation rate in China



Source: National Bureau of Statistics of China, Euromonitor

Note: The percentage figures refer to the urbanisation rate in China, being the urban population as a percentage of total population.

According to Euromonitor, the ongoing urbanisation process in China has brought about significant changes in lifestyle, consumption pattern and habit as well as other social aspects of Chinese consumers. In addition, residents who have moved into urban areas from rural areas have been influenced by the consumption habits of the urban residents and have been increasingly willing to spend on FMCG that enhance their living standard, including baby and children care products for their children. As a measure to cater to the growing demand, new retail formats emerge including hypermarkets, supermarkets, department stores, and other types of modern trade formats, which are conduits for sales and distribution of FMCG including baby and children care products.

Rising disposable income

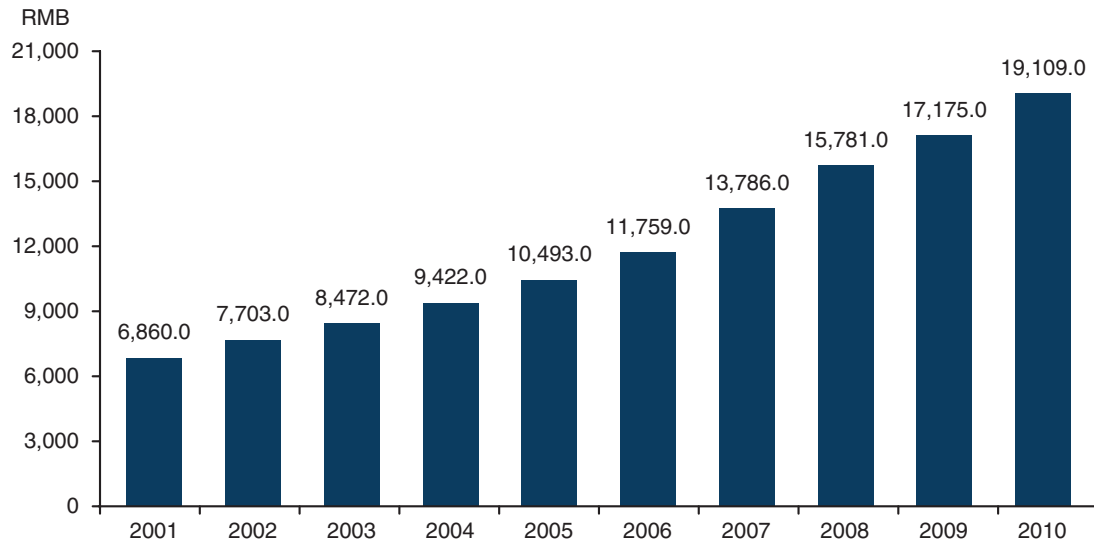
The per capita annual disposable income of urban households in China achieved rapid growth from RMB6,860.0 in 2001 to RMB19,109.0 in 2010, representing a CAGR of 12.1%. During the same period, the per capita annual gross income of rural households grew at a CAGR of 10.7% from RMB2,366.0 in 2001 to RMB5,919.0 in 2010.

The growth in per capita disposable income of urban households and per capita annual gross income of rural households results in the overall increase in the affluence as well as the purchasing power of Chinese consumers.

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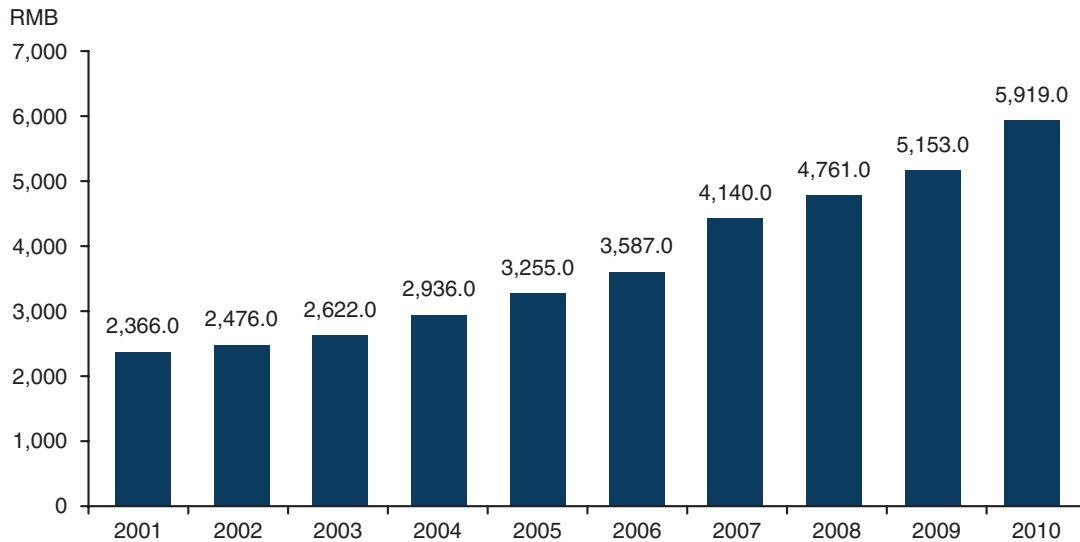
The charts below illustrate the per capita annual disposable income of urban households and the per capita annual gross income of rural households in China from 2001 to 2010.

Per capita annual disposable income of urban households in China



Source: National Bureau of Statistics of China, Euromonitor

Per capita annual gross income of rural households in China



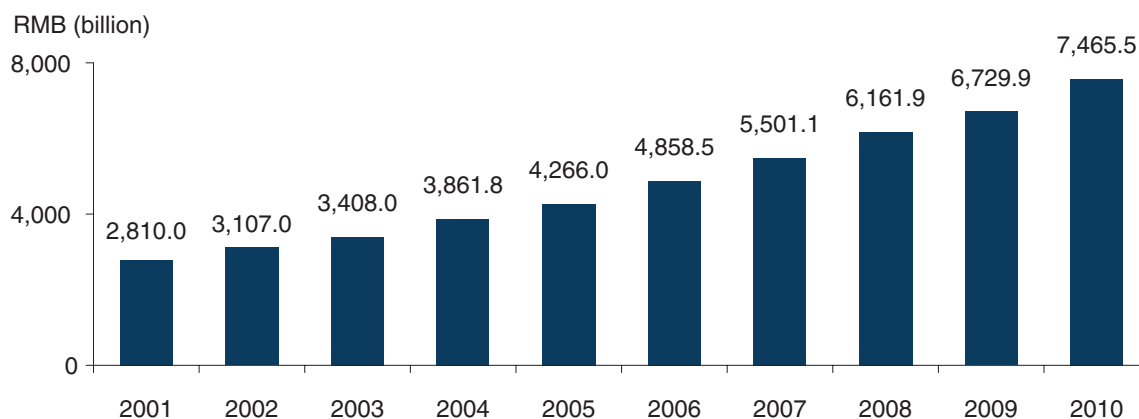
Source: National Bureau of Statistics of China, Euromonitor

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Substantial growth in China's retail market

China's retail market expanded rapidly in the past decade amid strong GDP growth and growing income and affluence of both urban and rural households. The size of retail market in China has grown from approximately RMB2,810.0 billion in 2001 to approximately RMB7,465.5 billion in 2010, representing a CAGR of 11.5%. The chart below illustrates the historical retail market size in China from 2001 to 2010.

Retail market size in China



Source: Euromonitor

Note: Retail market refers to the sales of new and used goods to the general public for personal or household consumption, which excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel, food service, rental and hire and wholesale industries.

Impact of “Thousands of Villages and Rural Market Project” on retail and distribution model in China

In 2005, the Ministry of Commerce of China launched the “Thousands of Villages and Rural Market Project” (萬村千鄉市場工程) with the aim of encouraging the establishment of more retail chain stores and supermarkets in the rural areas of China. Under this project, the Chinese government set a target to establish or reform 520,000 countryside stores (農家店) in 80% of the towns and 65% of the villages all over China by the end of 2010. We believe that this policy has changed the consumption patterns and spending habits of the rural population in China, which has an impact on the FMCG industry with FMCG products including personal care products now becoming more easily accessible to residents in the rural areas.

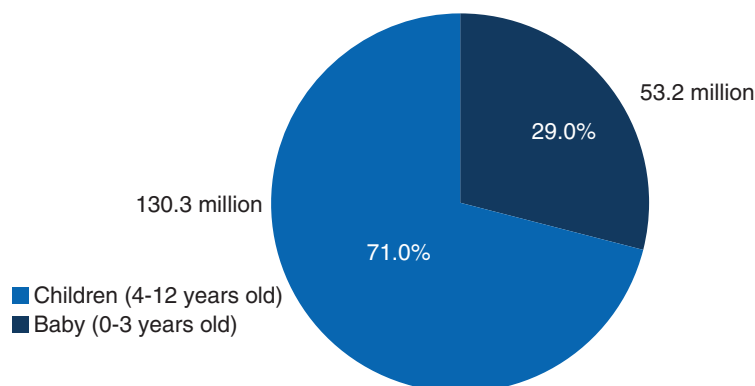
OVERVIEW OF BABY AND CHILDREN CARE PRODUCTS MARKET IN CHINA

Baby and children's population in China

According to Euromonitor, China had a population of 1,340.5 million in 2010, with the population of babies from new born to three years old and the population of children aged between four to twelve years old in 2010 being 53.2 million and 130.3 million, respectively.

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The chart below illustrates the demography of China's baby and children population in 2010.



Source: Euromonitor

Children care products market in China

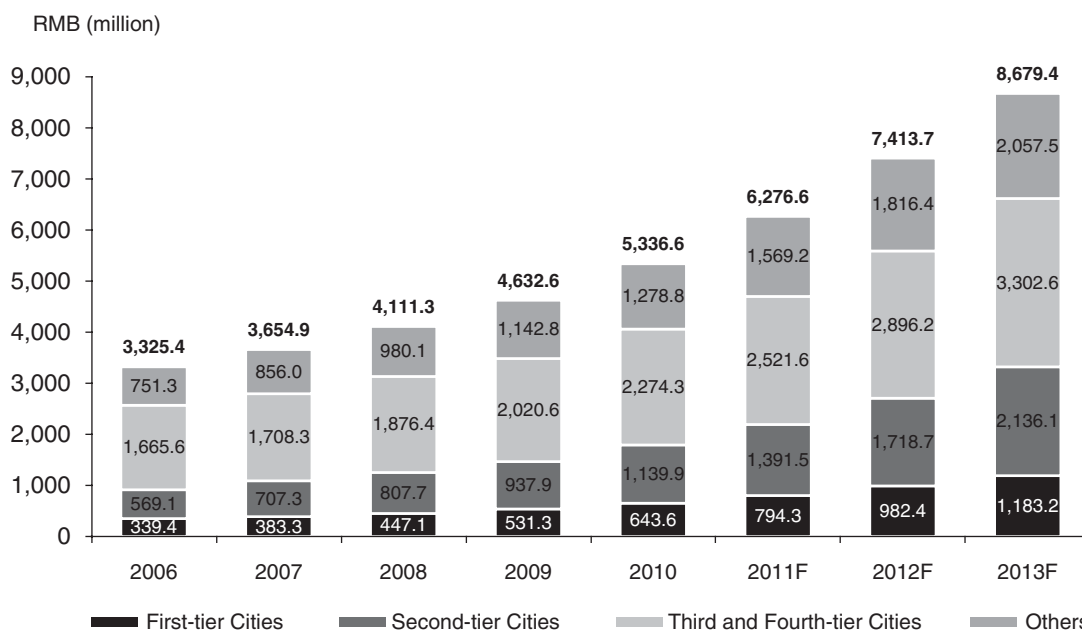
With the rapid economic growth in China, the children care products market in China grew substantially from RMB3,325.4 million in 2006 to RMB5,336.6 million in 2010 in terms of retail sales value, representing a CAGR of 12.6%, according to Euromonitor. Euromonitor forecasts that China's children care products market will grow to RMB8,679.4 million by 2013 in terms of retail sales value, representing a CAGR of 17.6% from 2011 to 2013.

According to Euromonitor, due to the large consumer base and burgeoning demand arising from increasing purchasing power, the Second, Third and Fourth-tier Cities, comprising a total of over 600 cities across China, in aggregate accounted for approximately 64.0% of the children care products market in China in 2010. Going forward, Euromonitor estimates that the Second, Third and Fourth-tier Cities will continue to account for more than 60.0% of the entire children care market in China from 2011 to 2013.

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The chart below sets forth the historical and forecast retail sales value of children care products market in China and its breakdown between different city tiers from 2006 to 2013.

Retail sales value of children care products market in China by city tiers



Source: Euromonitor

Baby care products market in China

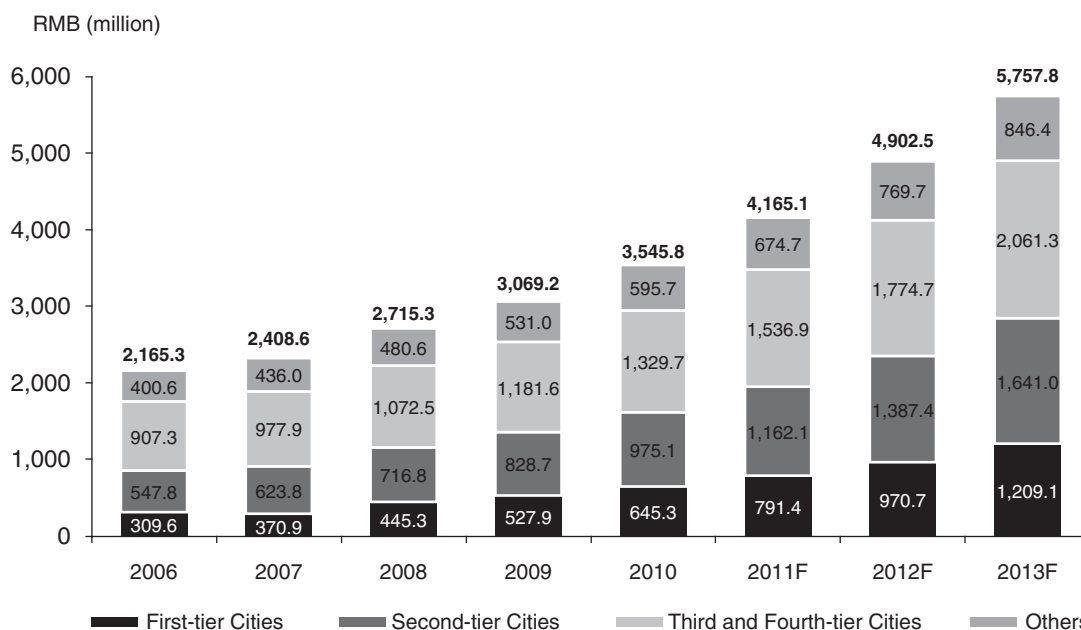
The baby care products market in China has also been growing substantially in the past few years, from RMB2,165.3 million in 2006 to RMB3,545.8 million in 2010 in terms of retail sale value, representing a CAGR of 13.1%. Euromonitor forecasts that China's baby care products market will grow to RMB5,757.8 million in terms of retail sales value by 2013, representing a CAGR of 17.6% from 2011 to 2013.

According to Euromonitor, similar to the children care products market in China, Second, Third and Fourth-tier Cities in aggregate accounted for approximately 65.0% of baby care products market in China in 2010 and is expected to continue to account for more than 60.0% of market from 2011 to 2013.

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The chart below sets forth the historical and forecast retail sales value of the baby care products market in China and its breakdown between different city tiers from 2006 to 2013.

Retail sales value of baby care products market in China by city tiers



Source: Euromonitor

Per household spending on baby and children care products in China

Although China's baby and children care products market has experienced rapid growth in the past few years, the per household spending on baby and children care products in China still lags behind some developed regions such as the United States, Europe and Japan by a significant margin. According to Euromonitor, China's per household spending on baby and children products in 2009 only represents approximately 22.5% to 33.1% of those of the United States, Europe and Japan for the same year, as illustrated in the table below, indicating significant growth potential of the baby and children care products market in China, amid strong economic growth and increasing income level and purchasing power.

Country	Unit	2006	2007	2008	2009	CAGR(06-09)
China	RMB	9.6	10.9	12.3	13.0	10.6%
Japan	RMB	41.7	40.9	40.2	39.3	-2.0%
Europe	RMB	40.6	46.5	50.1	45.7	4.0%
The United States	RMB	56.5	57.9	57.2	57.9	0.8%

Source: Euromonitor

Note: According to Euromonitor, the baby and children care products in relation to the calculation of per household spending include baby and children toiletries, medicated baby and children care, diapers / nappies rash treatments, baby and children hair care, baby and children skin care and baby and children sun care.

In particular, according to Euromonitor, the "one-child" policy implemented by the Chinese government has also contributed to the growth of the baby and children care products market in China. Since the implementation of the "one-child" policy in China, there is an increasing number

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of one-child families which has resulted in a common family structure comprising four grandparents, two parents and one child in one family. As a result, both the grandparents and parents are more willing to spend on their only grandchildren or children. In addition, according to Euromonitor, children care products represent or convey parents' love for their kids, so they are inclined to purchase relatively expensive products with assured quality. Well-to-do parents prefer to buy branded products even at higher prices for their kids, and those who are not as affluent would curtail their own expenses for the benefits of their kids.

Competitive landscape of the baby and children care products market in China

According to Euromonitor, the baby and children care products market in China is still at its early development stage. Johnson's Baby is the leading brand in the overall baby and children care products market in China. Its success is largely attributable to its wide variety of product lines and offerings, affordable price range, and its comprehensive distribution network.

On the other hand, domestic brands have been emerging and growing rapidly over the past few years thanks to improving quality, competitive pricing, strong brand awareness, better local know-how and broad distribution network across the country in particular the Second, Third and Fourth-tier Cities. Frog Prince has achieved rapid growth over the past three years with increasing market share in its product categories and has solidified its leadership position among the domestic brands. Other domestic brands that have established market presence include Coati, Pipedog, Omnibaby, Big eyes and Elsker.

KEY DEVELOPMENT TRENDS FOR THE BABY AND CHILDREN CARE PRODUCTS MARKET IN CHINA

Product functions and product safety are among the priority concern of the consumers

At the beginning of 2009, certain international branded baby and children care products were alleged to contain harmful or toxic substance. These scandals have enhanced the awareness of the general public on product safety of baby and children care products and provided an opportunity to quality domestic brands to increase their market share.

Baby and children have more fragile and subtle skin than adults, with PH value close to seven. In addition, baby's and children's skin absorbs liquid better but their body system is not well-developed for self-detoxication. As a result, baby and children require more gentle skin care products and hence, the products targeting adults are normally not suitable for baby's or children's use. Baby and children care products typically contain ingredients that are mild and non-stimulus.

Products associated with cartoon image are popular

Consumers generally make their purchase decision through a process that involves product/brand awareness, product comparison, purchase intention and payment. In this regard, baby and children care products are different from other FMCG in that while it is the parents who lead the purchase process from product and brand identification, purchase intention to payment, the baby and children also have influence on the eventual products purchased. Given this uniqueness, it is therefore crucial for both manufactures and retailers of baby and children care products to make the products attractive and visible to both children and their parents.

Most baby and children care products brands seek to market their products and reach their target consumers by using cartoon images, which can be visible in either packaging or media

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advertisements, such as animations broadcasted via TV networks or movies. Frog Prince acted as the sponsor for the broadcast of animation series “Frog Prince” on CCTV Children Channel, which, combined with some effective marketing strategies with the cartoon character, has helped to establish a positive brand image for “Frog Prince”, resulting in a strong brand recognition and awareness among the consumers.

Following the success of Frog Prince, some other domestic brands also employed similar marketing strategies to build up their brand images with varying success.

More diversified product lines and product offerings

Since 2000’s, with more and more multinational companies entering the baby and children care market in China, market players have launched various series and categories of baby and children care products that provide different functionalities and target different age groups. Nowadays, almost all of the major market players have a wide range of product offerings covering hair care, skin care, oral care, hand care and lip care. New emerging products being increasingly introduced to the market include fabric cleansers, diapers and nappies. Johnson’s Baby, being the market leader, has the most diversified product offerings in the market. Frog Prince, the leading domestic brand, has expanded its product lines and offerings, and recently introduced new product categories such as diapers and nappies.

Domestic brands have not traditionally produced separate products lines to cater for the individual baby and children care market space. However, with the increasing demand for quality baby and children care products from consumers, domestic brands are now also moving to produce more focused products that meet the individual needs of their end customers.

Expansion of market coverage into top-tier and lower-tier cities

International brands such as Johnson’s Baby and Pigeon have focused on First and Second-tier Cities since they entered the market. However, to grasp larger market share, they are expanding into the developing market comprising lower-tier cities and rural areas, where there is still a huge potential for further development.

In contrast, leading domestic brands have also been successful by establishing a nationwide network with focus on lower tier cities. While lower-tier cities will continue to be a core market for these leading domestic brands, an increasing number of these brands are penetrating into the top-tier cities where traditionally international brands have been more successful. To be successful in these top-tier cities, these leading domestic brands have started introducing new product lines with propositions that satisfy the needs of consumers with higher spending power, and have increased marketing efforts to build and enhance brand awareness among consumers.

Emergence of various distribution channels for the baby and children care products market in China

Currently, baby and children care products market in China is still in the early development stage and in comparison with other FMCG, the distribution channels of the baby and children care market are less developed. In top tier cities where the retail industry is more developed, the key distribution channel remains hypermarket or supermarket chains.

In lower tier cities where the retail industry is less developed, baby and children care products manufacturers often set up regional network of distributors so that they can leverage

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upon the distribution capabilities of the distributors to distribute their products through channels including regional supermarkets and convenience stores.

New distribution channels are emerging. Internet retailing is gaining increasing importance for the sales and distribution of baby and children care products, due to the shopping experience given that consumers can choose products according to their needs, pricings preference, brand awareness and the volume and function of the products. In addition, comments from other consumers who have made online purchase of products, which are generally easily visible in internet retailing, have a strong influence on the purchase interest of other online customers. Another emerging distribution channel is specialised mother & baby store. As young parents usually need advice and pointers on taking care of their kids, professional advice on children care from these speciality stores is often a value-add to them.

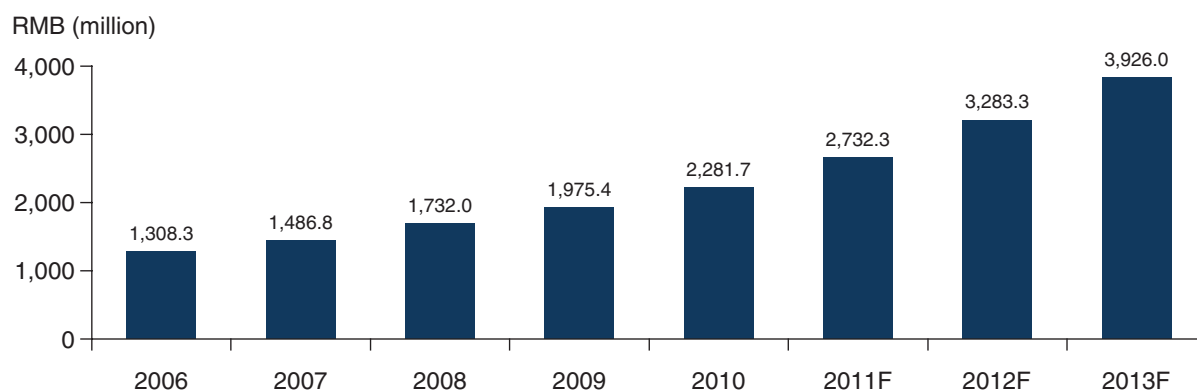
BABY AND CHILDREN MOISTURISING LOTIONS MARKET IN CHINA

Baby and children moisturising lotion is the largest product category in the overall baby and children care products market in China, which accounted for approximately 39.3% of the market in 2010.

Children moisturising lotions market in China

The children moisturising lotions market in China has experienced rapid growth in recent years. According to Euromonitor, the retail sales value of the children moisturising lotions market in China increased from RMB1,308.3 million in 2006 to RMB2,281.7 million in 2010, representing a CAGR of 14.9% and is projected to grow at a CAGR of 19.9% from RMB2,732.3 million in 2011 to RMB3,926.0 million in 2013. The chart below sets forth the historical and forecast retail sales value of the children moisturising lotions market in China.

Retail sales value of children moisturising lotions market in China



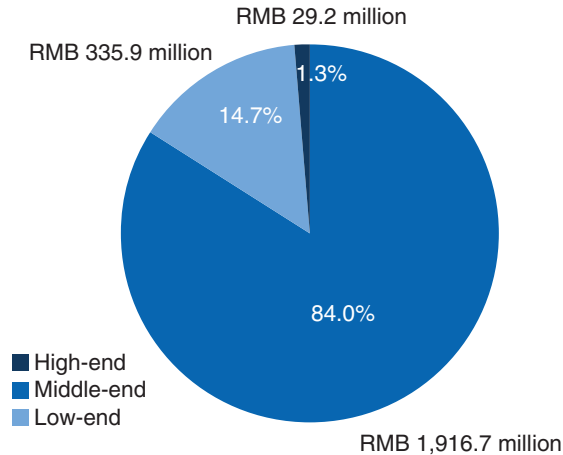
Source: Euromonitor

According to Euromonitor, the children moisturising lotions market in China is dominated by middle-end brands, with the retail selling price between RMB6.0 and RMB22.0 for a unit of moisturising lotion weighing 50 grams. The middle-end brands accounted for approximately 84.0% of the children moisturising lotions market in terms of retail sales value in 2010. High-end products, whose retail selling prices are above RMB22.0 for a unit of moisturising lotion weighing 50 grams and low-end products, whose retail selling prices are below RMB6.0 for a unit of moisturising lotion weighing 50 grams, accounted for approximately 1.3% and 14.7% of the

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market in terms of retail sales value in 2010, respectively. Euromonitor estimates that the share of middle-end brands will increase to approximately 85.0% in 2013, mainly taking shares from low-end brands.

The chart below illustrates the market size of children moisturising lotions in China by price segments in 2010.



Source: Euromonitor

According to Euromonitor, the children moisturising lotions market in China is dominated by domestic brands, with eight out of the top ten brands being domestic brands in 2010. Johnson's Baby, Frog Prince and Yumeijing have been ranked as the top three brands in terms of market share in 2008, 2009 and 2010.

Although Johnson's Baby remains to be the leader in children moisturising lotions market in 2008, 2009 and 2010, some domestic brands have achieved rapid growth in the past few years. With strong growth in its sales performance, Frog Prince, the leading domestic brand, has successfully increased its market share from 17.8% in 2008 to 23.1% in 2010, according to Euromonitor.

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The table below sets forth the retail sales value and market share of the top ten children moisturising lotions brands in China from 2008 to 2010.

Top ten brands of the children moisturising lotions market in China

Unit: RMB million

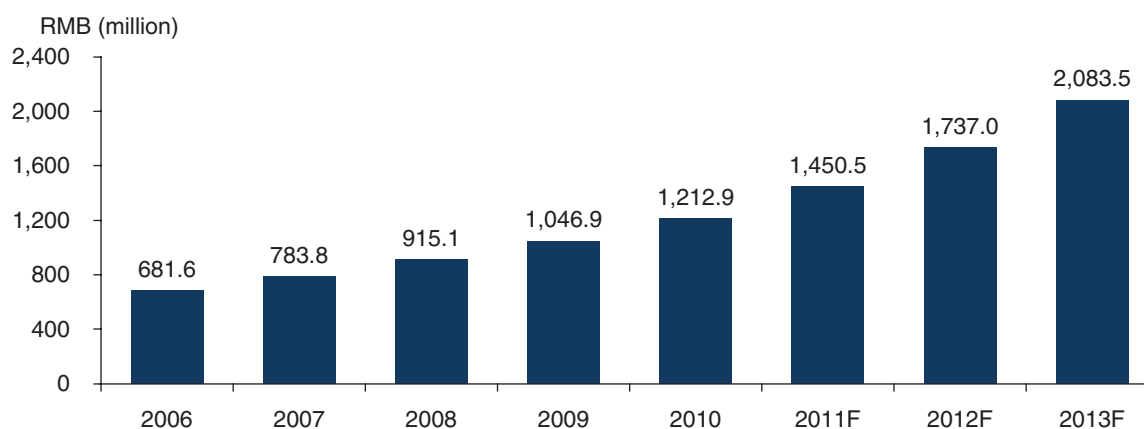
	International/ Domestic	Retail sales value			Market share		
		2008	2009	2010	2008	2009	2010
Johnson's Baby/強生嬰兒	International	475.7	505.9	550.1	27.5%	25.6%	24.1%
Frog Prince/青蛙王子	Domestic	308.7	381.0	527.2	17.8%	19.3%	23.1%
Yumeijing/鬱美淨	Domestic	153.4	199.4	249.2	8.9%	10.1%	10.9%
Pipedog/皮皮狗	Domestic	74.7	89.7	106.7	4.3%	4.6%	4.7%
Haiermian/孩兒面	International	65.8	85.8	99.6	3.8%	4.3%	4.4%
Coati/小浣熊	Domestic	57.7	69.2	82.4	3.3%	3.5%	3.6%
Big eyes/大眼睛	Domestic	56.6	61.3	64.5	3.3%	3.1%	2.8%
Omnibaby/歐米娃	Domestic	46.4	54.6	63.9	2.7%	2.8%	2.8%
Elsker/嫵呵	Domestic	14.6	16.2	18.2	0.8%	0.8%	0.8%
Xiaobailin/小百羚	Domestic	13.8	15.5	17.4	0.8%	0.8%	0.8%
Others		464.6	496.8	502.5	26.8%	25.1%	22.0%
Total		1,732.0	1,975.4	2,281.7	100.0%	100.0%	100.0%

Source: Euromonitor

Baby moisturising lotions market in China

The baby moisturising lotions market in China increased from RMB681.6 million in 2006 to RMB1,212.9 million in 2010 in terms of retail sales value, representing a CAGR of 15.5% and is projected to grow at a CAGR of 19.9% from RMB1,450.5 million in 2011 to RMB2,083.5 million in 2013. The chart below sets forth the historical and forecast retail sales value of baby moisturising lotions market in China from 2006 to 2013.

Retail sales value of baby moisturising lotions market in China



Source: Euromonitor

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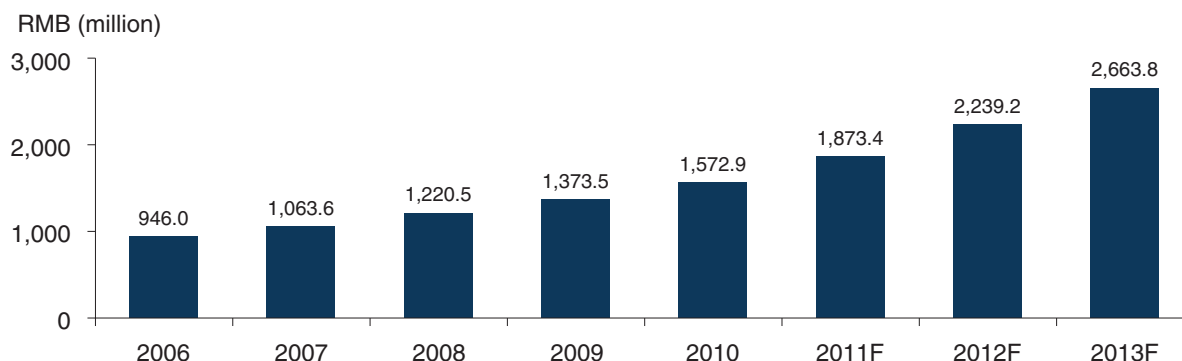
BABY AND CHILDREN BATH AND SHAMPOO PRODUCTS MARKET IN CHINA

Baby and children bath and shampoo is another main product category of the overall baby and children care products market in China, representing approximately 31.2% of the market in 2010.

Children bath and shampoo products market in China

The children bath and shampoo products market in China has experienced rapid growth in recent years. The retail sales value of this market increased from RMB946.0 million in 2006 to RMB1,572.9 million in 2010, representing a CAGR of 13.6% and is projected to grow at a CAGR of 19.2% from RMB1,873.4 million in 2011 to RMB2,663.8 million in 2013, according to Euromonitor. The chart below sets forth the historical and forecast retail sales value of children bath and shampoo products market in China from 2006 to 2013.

Retail sales value of children bath and shampoo products market in China

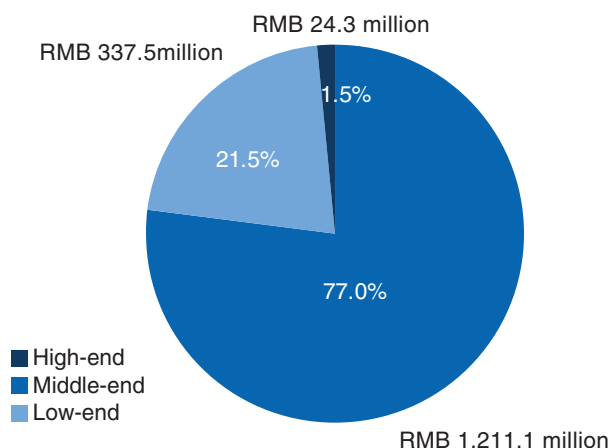


Source: Euromonitor

According to Euromonitor, the children bath and shampoo market in China is dominated by middle-end brands, with the retail selling price between RMB6.0 and RMB20.0 for a unit of bath or shampoo with the volume of 200 millilitres. The middle-end brands accounted for approximately 77.0% of the children bath and shampoo market in terms of retail sales value in 2010. High-end products, whose retail selling prices are above RMB20.0 for a unit of bath or shampoo with the volume of 200 millilitres and low-end products, whose retail selling prices are below RMB6.0 for a unit of bath or shampoo with the volume of 200 millilitres, accounted for approximately 1.5% and 21.5% of the market in terms of retail sales value in 2010, respectively. Euromonitor estimates that the share of middle-end segment will increase to approximately 80.0% in 2013, mainly taking shares from low-end brands.

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The chart below illustrates the market size of children bath and shampoo products in China by price segments in 2010.



Source: Euromonitor

According to Euromonitor, the children bath and shampoo products market in China is dominated by domestic brands. Out of the top ten brands, seven are domestic brands. Although Johnson's Baby is the leading player in the market, leading domestic players, such as Frog Prince, have achieved rapid growth of their market shares in the market.

The following table sets forth the retail sales value and market share of the top ten children bath and shampoo brands in China from 2008 to 2010.

Top ten brands of the children bath and shampoo products market in China

Unit: RMB million

	International/Domestic	Retail sales value			Market share		
		2008	2009	2010	2008	2009	2010
Johnson's Baby/強生嬰兒	International	373.0	389.6	429.5	30.6%	28.4%	27.3%
Frog Prince/青蛙王子	Domestic	69.6	114.5	157.9	5.7%	8.3%	10.0%
Yumeijing/鬱美淨	Domestic	65.7	85.5	106.8	5.4%	6.2%	6.8%
Haiermian/孩兒面	International	61.7	72.8	86.8	5.0%	5.3%	5.5%
Coati/小浣熊	Domestic	55.2	69.6	82.6	4.5%	5.1%	5.3%
Pipedog/皮皮狗	Domestic	47.6	57.1	69.7	3.9%	4.2%	4.4%
Omnibaby/歐米娃	Domestic	42.2	49.5	62.0	3.5%	3.6%	4.0%
Big eyes/大眼睛	Domestic	45.6	49.4	53.3	3.7%	3.6%	3.4%
Elsker/曖呵	Domestic	11.4	12.8	14.7	0.9%	0.9%	0.9%
Pigeon/貝親	International	5.7	7.6	10.7	0.5%	0.5%	0.7%
Others		442.8	465.1	498.9	36.3%	33.9%	31.7%
Total		1,220.5	1,373.5	1,572.9	100.0%	100.0%	100.0%

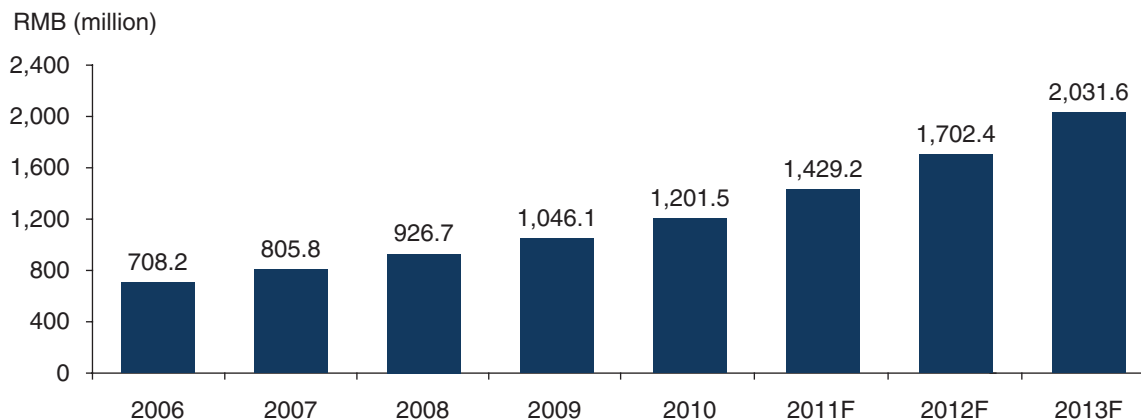
Source: Euromonitor

INDUSTRY OVERVIEW

Baby bath and shampoo products market in China

The baby bath and shampoo products market in China has also experienced rapid growth in recent years. The retail sales value of this market increased from RMB708.2 million in 2006 to RMB1,201.5 million in 2010, representing a CAGR of 14.1% and is projected to grow at a CAGR of 19.2% from RMB1,429.2 million in 2011 to RMB2,031.6 million in 2013. The chart below sets forth the historical and forecast retail sales value of baby bath and shampoo products market in China from 2006 to 2013.

Retail sales value of baby bath and shampoo products market in China

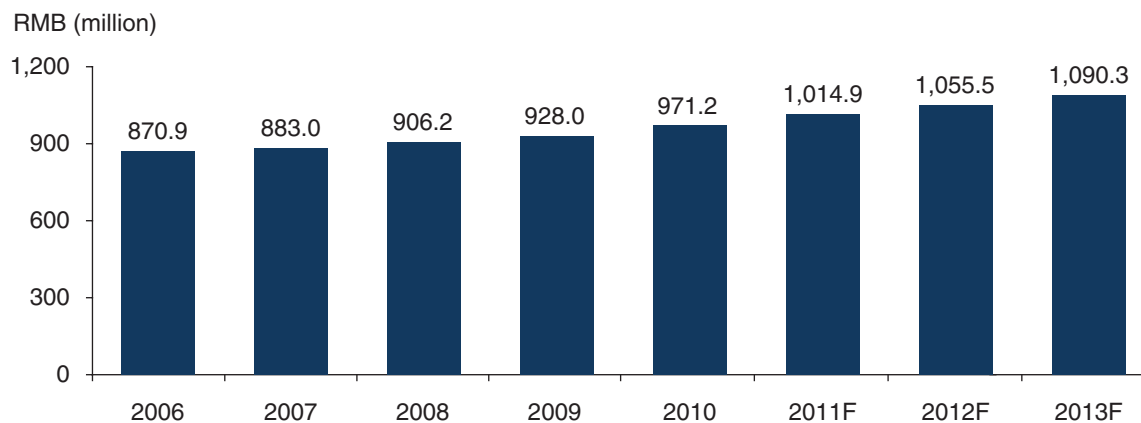


Source: Euromonitor

CHILDREN ORAL CARE PRODUCTS MARKET IN CHINA

Children oral care products comprise toothbrush and toothpaste. According to Euromonitor, the retail sales value of the children oral care products market in China increased from RMB870.9 million in 2006 to RMB971.2 million in 2010, representing a CAGR of 2.8% and is projected to grow at a CAGR of 3.6% from RMB1,014.9 million in 2011 to RMB1,090.3 million in 2013 as illustrated by the chart below.

Retail sales value of children oral care products market in China



Source: Euromonitor

INDUSTRY OVERVIEW

The children oral care products in China is dominated by the top five brands which accounted for 60.0% of the market in 2010. Among the top ten brands in 2010, eight are domestic. Frog Prince is the leading domestic brand with a market share of 14.6% in 2010.

The following table shows the retail sales value and market share of the top ten children oral care products brands in China from 2008 to 2010.

Top ten brands of children oral products market in China

Unit: RMB million

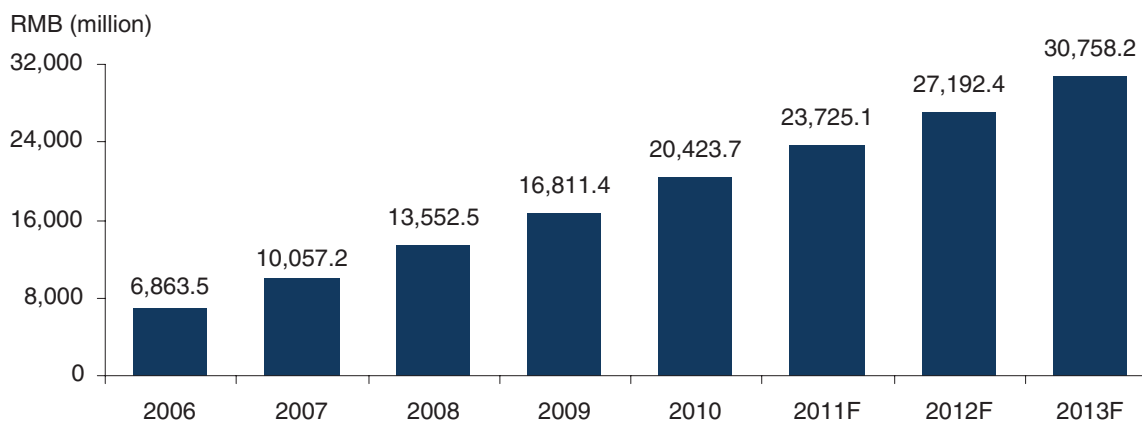
	International/ Domestic	Retail sales value			Market share		
		2008	2009	2010	2008	2009	2010
Colgate/高露潔	International	141.7	147.2	152.9	15.6%	15.9%	15.7%
Frog Prince/青蛙王子	Domestic	105.6	136.3	141.5	11.7%	14.7%	14.6%
Cnice/納愛斯伢牙樂	Domestic	107.7	115.3	125.7	11.9%	12.4%	12.9%
Darlie/黑人寶貝兔	International	91.7	97.2	102.1	10.1%	10.5%	10.5%
Xiaobaitu/小白兔	Domestic	55.5	57.8	61.0	6.1%	6.2%	6.3%
Coati/小浣熊	Domestic	49.9	52.0	54.9	5.5%	5.6%	5.7%
Yumeijing/鬱美淨	Domestic	40.0	45.6	50.2	4.4%	4.9%	5.2%
Xiaodingdang/小叮噹	Domestic	38.5	37.0	35.6	4.3%	4.0%	3.7%
Heimei/黑妹QQ兔	Domestic	27.4	30.9	33.0	3.0%	3.3%	3.4%
Tianqi/田七娃娃	Domestic	28.4	29.1	30.5	3.1%	3.1%	3.1%
Others		219.8	179.6	183.8	24.3%	19.4%	18.9%
Total		906.2	928.0	971.2	100.0%	100.0%	100.0%

Source: Euromonitor

BABY DIAPERS / NAPPIES MARKET IN CHINA

The baby diapers / nappies market in China has experienced rapid growth in recent years. According to Euromonitor, the retail sales value of the baby diapers / nappies market in China increased from RMB6,863.5 million in 2006 to RMB20,423.7 million in 2010, representing a CAGR of 31.3% and is projected to grow at a CAGR of 13.9% from RMB23,725.1 million in 2011 to RMB30,758.2 million in 2013 as illustrated by the chart below.

Retail sales value of baby diapers/nappies market in China



Source: Euromonitor

INDUSTRY OVERVIEW

The major factors contributing to the growth of the baby diapers / nappies market in China include the following:

Firstly, increasing hygiene awareness and rising urbanisation process have driven the consumption of nappies and diapers. Urban families, especially those in First-tier Cities, use nappies/diapers more widely and replace them more frequently than rural families. According to Euromonitor, the urbanization process in China has increased the penetration rate of baby diapers/nappies from approximately 9.0% in 2004 to approximately 39.0% in 2009 nationally.

Secondly, parents, especially those in the relatively developed regions, are more willing to purchase higher quality pants-type nappies. This is more evident in top tier cities such as Beijing and Shanghai, since parents in these cities in general have higher income level and purchasing power. The market preference towards more superior products and the shift of demand from pads-type nappies to pants-type nappies and from newborn nappies/diapers to junior nappies/diapers have all resulted in higher overall average unit prices.

Benefiting from the first mover advantage, international brands have a larger share in the baby diapers / nappies market in China and have focused primarily on top tier cities. Domestic brands, on the other hand, have mainly focused on lower-tier cities.

According to Euromonitor, trade sources indicate that baby diapers / nappies market in top tier cities such as Beijing and Shanghai is close to saturation as evidenced by a penetration rate as high as 80%. Lower tier cities will be the area with vast growth potential.

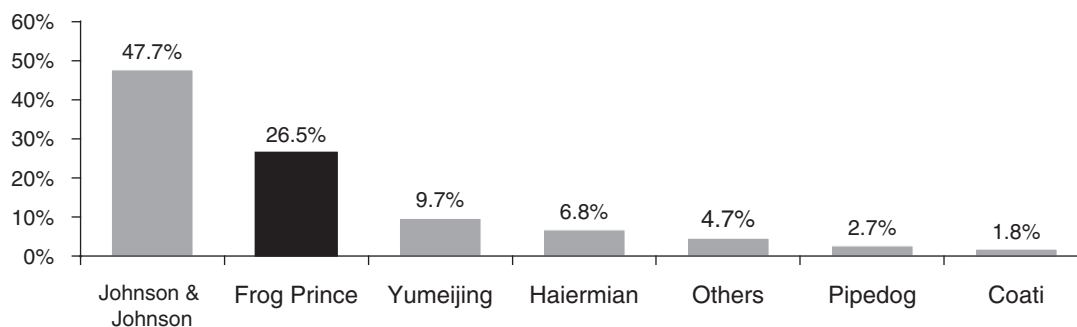
Consumers in lower tier cities have lower income level and hence lower purchasing power in general and babies in lower tier cities are often taken care of by their grandparents who are still more inclined to using traditional non-disposable diapers. However, increasing affluency, accelerating urbanization process and increasing awareness and consciousness in hygiene and comfort will drive the demand for diapers and nappies in lower-tier cities. Those market players who have already established a strong baby and children care products distribution network in these areas will benefit from this emerging trend as they are able to more effectively and efficiently launch new product lines, including diapers and nappies, via their distribution networks.

INDUSTRY OVERVIEW

BRAND AWARENESS OF BABY AND CHILDREN CARE PRODUCTS

The following charts set forth the ranking of brand awareness of baby and children care products in China.

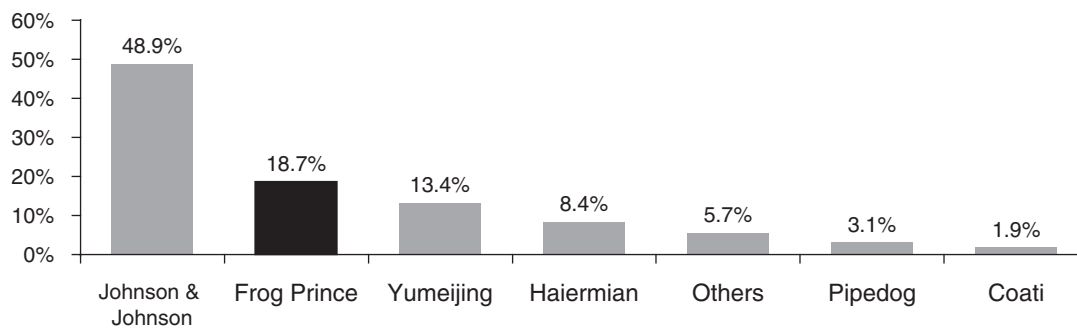
Top of mind



Note: Top of mind means the percentage of respondents who, without prompting, name a specific brand or product first when asked to list all the brands they recall seeing in a general product category. It is used to describe the first brand name that a respondent mentions in answer to an appropriate question.

Source: Frost & Sullivan

First choice



Note: First choice means the percentage of respondents who, without prompting, name a specific brand which he or she will choose when buying certain kind of products. It is used to describe the first choice that a respondent mentions in answer to an appropriate question.

Source: Frost & Sullivan

THE INSECTICIDE AND AIR FRESHENERS MARKETS IN CHINA

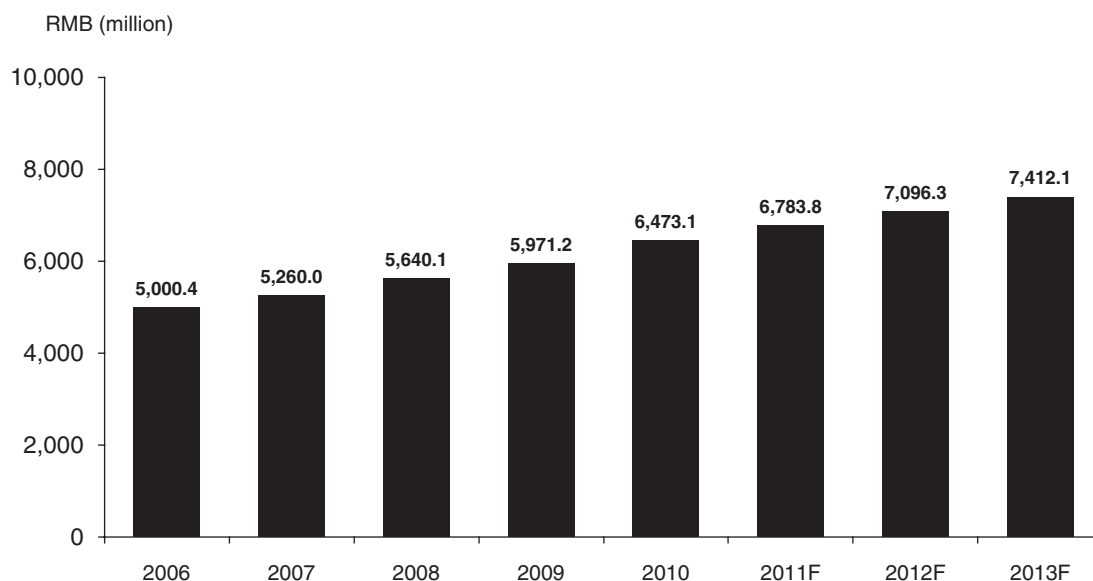
The Insecticide Market in China

According to Euromonitor, the insecticide market in China is at a relatively mature stage. The retail sales value of the market grew from RMB5,000.4 million in 2006 to RMB6,473.1 million in 2010, representing a CAGR of 6.7%.

Euromonitor estimates that the insecticide market in China will continue to grow at a moderate rate with the retail sales value expected to grow from RMB6,783.8 million in 2011 to RMB7,412.1 million in 2013, representing a CAGR of 4.5%.

INDUSTRY OVERVIEW

The chart below sets forth the historical and forecast retail sales value of insecticide market in China from 2006 to 2013.



Source: Euromonitor

Being a relatively matured market, the insecticide products market in China is dominated by the top ten players with an aggregate market share of 77.7% in 2010, eight of which are domestic brands.

The table below sets forth the retail sales value and market share of top ten brands in the insecticide market in China from 2008 to 2010.

Top ten brands of insecticide market in China

Unit: RMB million

	International / Domestic	Retail sales value			Market share		
		2008	2009	2010	2008	2009	2010
Lanju/榄菊	Domestic	991.2	1,044.4	1,110.6	17.6%	17.5%	17.2%
Raid/雷达	International	642.5	700.0	774.8	11.4%	11.7%	12.0%
Lizi/李字	Domestic	648.6	697.2	759.1	11.5%	11.7%	11.7%
Gunner/枪手	Domestic	484.5	518.9	579.1	8.6%	8.7%	8.9%
Superb/超威	Domestic	375.3	459.8	500.4	6.7%	7.7%	7.7%
Heimaoshen/黑猫神	Domestic	346.9	364.0	387.6	6.1%	6.1%	6.0%
Shuangfeijian/双飞剑	Domestic	122.8	177.5	302.5	2.2%	3.0%	4.7%
Mie Hailing/灭害灵	Domestic	245.2	262.5	294.0	4.3%	4.4%	4.5%
Pest Rest/全无敌	International	155.0	169.4	184.2	2.7%	2.8%	2.9%
Rainbow/彩虹	Domestic	117.5	125.6	138.0	2.1%	2.1%	2.1%
Others		1,510.6	1,451.9	1,442.8	26.8%	24.3%	22.3%
Total		5,640.1	5,971.2	6,473.1	100.0%	100.0%	100.0%

Source: Euromonitor

According to Euromonitor, the leading brands in the insecticide market in China demonstrated stagnant performance in the past few years. However, brands that have been able to leverage on an expanded sales network and increasing brand recognition have recorded rapid

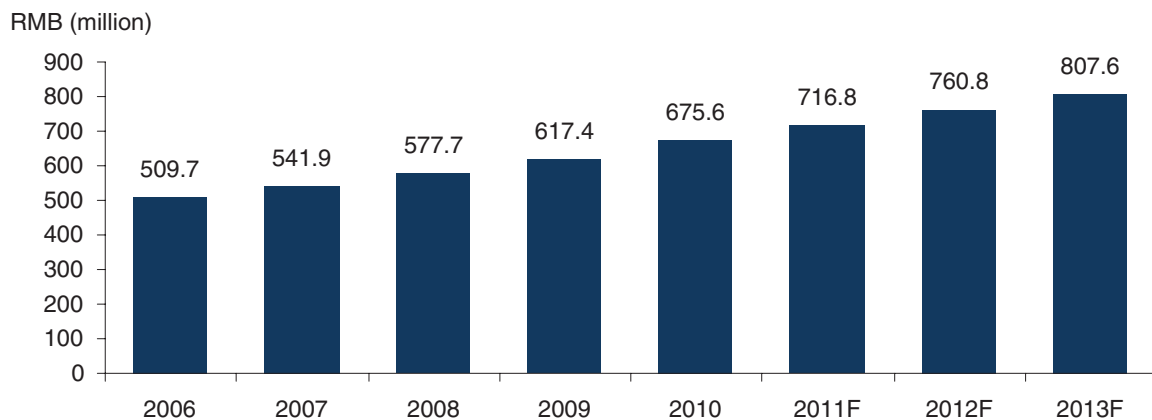
INDUSTRY OVERVIEW

growth. The “Shuangfeijian” brand of our Company has achieved rapid growth with its market share increasing from 2.2% in 2008 to 4.7% in 2010.

The Air freshener Market in China

The air freshener market in China has experienced steady growth in recent years. According to Euromonitor, retail sales value of the air freshener market in China grew from RMB509.7 million in 2006 to RMB675.6 million in 2010, representing a CAGR of 7.3%. Euromonitor forecasts that the air freshener market in China will continue the moderate growth with the retail sales value expected to grow from RMB 716.8 million in 2011 to RMB807.6 million in 2013, representing a CAGR of 6.1%.

The chart below sets forth the historical and forecast retail sales value of air refreshener market in China from 2006 to 2013.



Source: Euromonitor

Being a relatively matured market, the air freshener products market in China is dominated by the top ten players with an aggregate market share of 78.2% in 2010, seven of which are foreign brands. The “Shenhuxi” brand of our Company is the second largest domestic brand in this market in 2010.

INDUSTRY OVERVIEW

The table below sets forth the retail sales value and market share of the top ten brands in the air freshener market in China from 2008 to 2010.

Top ten brands of air refreshener market in China

Unit: RMB million

	International / Domestic	Retail sales value			Market share		
		2008	2009	2010	2008	2009	2010
Glade/佳麗	International	142.9	156.2	172.2	24.7%	25.3%	25.5%
All Joy	International	111.0	121.2	129.7	19.2%	19.6%	19.2%
Aestar/凱達	Domestic	78.1	84.6	93.4	13.5%	13.7%	13.8%
Sawaday/爽花蕾	International	33.5	36.6	39.5	5.8%	5.9%	5.8%
Shenhuxi/深呼吸	Domestic	31.4	22.5	26.9	5.5%	3.6%	4.0%
Green Meadow/安利綠草如茵	International	21.3	22.6	23.7	3.7%	3.7%	3.5%
Houdy/好迪	Domestic	16.6	17.4	20.0	2.9%	2.8%	3.0%
Sakura/櫻花	International	9.9	10.3	11.5	1.7%	1.7%	1.7%
Ambi-Pur/香必飄	International	NA	NA	6.5	NA	NA	0.9%
Bagus	International	4.6	4.8	5.2	0.8%	0.8%	0.8%
Others		128.4	141.2	147.0	22.2%	22.9%	21.8%
Total		577.7	617.4	675.6	100.0%	100.0%	100.0%