

BaWang International (Group) Holding Limited 霸王國際(集團)控股有限公司*

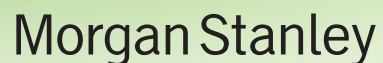
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1338

Global Offering



Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors
(in alphabetical order)



* for identification purposes only

IMPORTANT

If you are in any doubt about this prospectus, you should obtain independent professional advice.

BaWang International (Group) Holding Limited

霸王國際(集團)控股有限公司*

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 700,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 70,000,000 Shares (subject to adjustment)
Number of International Placing Shares	: 630,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$2.38 per Hong Kong Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%
Nominal value	: HK\$0.10 per Share
Stock code	: 1338

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors
(in alphabetical order)



Morgan Stanley

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 26 June 2009 and, in any event, not later than Sunday, 28 June 2009. The Offer Price will be not more than HK\$2.38 and is currently expected to be not less than HK\$1.95, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum issue price of HK\$2.38 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price should be lower than HK\$2.38.

The Joint Global Coordinators (on behalf of the Underwriters) may, with the Company's consent, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.bawang.com.cn. If applications for the Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Joint Global Coordinators has the right, in their sole and absolute discretion may, on behalf of the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement by notice in writing to the Company given by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), upon occurrence of any of the events set forth in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day that trading in the Offer Shares commences on the Stock Exchange. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to (i) QIBs in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A, or another available exemption from registration under the US Securities Act or (ii) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

* for identification purposes only

EXPECTED TIMETABLE⁽¹⁾

Application Lists open ⁽²⁾	11:45 a.m. on Thursday, 25 June 2009
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Thursday, 25 June 2009
Latest time to give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Thursday, 25 June 2009
Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽⁴⁾	11:30 a.m. on Thursday, 25 June 2009
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 25 June 2009
Application Lists close	12:00 noon on Thursday, 25 June 2009
Expected Price Determination Date ⁽⁵⁾	Friday, 26 June 2009
Announcement of:	
<ul style="list-style-type: none"> ● the Offer Price; ● the level of indication of interest in the International Placing; ● the level of applications of the Hong Kong Public Offering; and ● the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before ... 	Thursday, 2 July 2009
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results; Dispatch/Collection of Share Certificates and Refund Cheques – Publication of Results" in this prospectus from	Thursday, 2 July 2009
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function	Thursday, 2 July 2009
Dispatch of Share certificates in respect of wholly or partially successful applications on or before ^{(6)&(8)}	Thursday, 2 July 2009
Dispatch of refund cheques (if applicable) on or before ^{(7)&(8)}	Thursday, 2 July 2009
Dealings in the Shares on the Stock Exchange expected to commence on	Friday, 3 July 2009

Notes:

- (1) All dates and times refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Global Offering, including its conditions are set out in the section headed "Structure of the Global Offering" in this prospectus.
- (2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Thursday, 25 June 2009, the application lists will not open on that day. For further information please refer to the section headed "How to Apply for Hong Kong Offer Shares – When may Applications be Made – Effect of bad weather on the opening of the application lists" in this prospectus.
- (3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 26 June 2009 and, in any event, not later than Sunday, 28 June 2009. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Underwriters) and us by Sunday, 28 June 2009, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the date on which our Shares are first listed and from which dealing therein are permitted to take place on the Stock Exchange, or the Listing Date, which is expected to be Friday, 3 July 2009. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.
- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third-party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
- (8) Applicants who have applied on **WHITE** Application Forms or through White Form eIPO service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have indicated in their applications that they wish to collect any refund cheques and share certificates in person, may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 2 July 2009. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Computershare Hong Kong Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed "Applying by giving electronic application instructions to HKSCC via CCASS" under the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for details. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – Dispatch/Collection of share certificates and refund cheques" in this prospectus.

You should read carefully the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering and how to apply for Hong Kong Offer Shares.

CONTENTS

This prospectus is issued by BaWang International (Group) Holding Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorized anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, any of the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

Please note that the totals set forth in the tables in the prospectus may differ from the sum of individual items in such tables due to rounding.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Our 霸王 (Bawang) brand is the leading Chinese brand in the overall shampoo market in the PRC. According to Euromonitor, our 霸王 (Bawang) brand had the largest market share among all Chinese brands in the overall shampoo market in the PRC in terms of retail sales in 2007 and the first half of 2008 of approximately 6.2% and 7.6%, respectively. We primarily design, manufacture and market Chinese herbal shampoo and hair-care products under our 霸王 (Bawang) brand, skin-care products and Other Products such as toothpaste and shower gels.

We have successfully set ourselves apart from our competitors by establishing our 霸王 (Bawang) brand, which was awarded 中國馳名商標 (Well-known Trademark of China) in 2007, as the leading brand in the Chinese herbal shampoo market in the PRC with market shares in terms of retail sales in 2006, 2007 and the first half of 2008 of approximately 24.3%, 43.5% and 46.3%, respectively, according to Euromonitor. Chinese consumers are becoming increasingly conscious of their health and lifestyle which, among other things, has led to increased demand for Chinese herbal shampoo. We believe that we are well positioned in this market to meet changing consumer preferences and increasing market demand.

We believe that one of our core competitive strengths is our ability to meet consumer demands by providing high quality Chinese herbal HPC products. We have introduced various types of Chinese herbal HPC products to meet the needs and demands of different consumer groups. We continuously upgrade our existing products and develop new products. We also cooperate with (i) universities in the PRC to develop new techniques and know-how, such as essence extraction; and (ii) an association in the PRC which provides us with technical support in the production of our Chinese herbal shampoo. We believe that our continual efforts in research and development enables us to maintain and strengthen our leadership, competitiveness and profitability in the market.

We generally sell our products through our distributors and retailers. As of 31 December 2008, our extensive distribution and retail network comprised 567 distributors and 46 KA retailers, covering 24 provinces and four municipalities in the PRC as well as Hong Kong, Macao and Singapore. We launched our products in Hong Kong, Macao and Singapore in 2008 and we expect to launch our products in Malaysia, Myanmar and Thailand in 2009. Building on our leading position in the Chinese herbal shampoo market in the PRC, we intend to continue to expand our business by exploring other markets outside the PRC such as Taiwan.

We believe our leading positions among Chinese brands in the overall shampoo market in the PRC and in the Chinese herbal shampoo market in the PRC are mainly attributable to our innovative and multi-faceted marketing strategies. Our dedicated marketing and promotion team is responsible for the design and promotion of our brands and products and the formulation of our marketing strategies. We have implemented our marketing strategies through various channels including (i) television commercials and sponsorship of television programs; (ii) advertising in newspapers, magazines, the Internet, public transportation, billboards, banners and kiosks; (iii) strategically selecting suitable celebrities as our brand ambassadors; (iv) organizing frequent in-store marketing and promotional activities and roadshows; and (v) attending Chinese herbal-related events to market our products.

We have enjoyed rapid growth during the Track Record Period. Our revenue and net profit grew at CAGRs of 89.7% and 55.9% from 2006 to 2008, respectively. Our revenue for the years ended

SUMMARY

31 December 2006, 2007 and 2008 were RMB392.4 million, RMB921.7 million and RMB1,411.2 million, respectively. Our net profits for the same periods were RMB116.0 million, RMB181.3 million and RMB281.8 million, respectively.

RECENT DEVELOPMENTS

The pressure experienced by global capital and credit markets that began in the second half of 2007 continues and substantially increased during the second half of 2008. Concerns over the availability and cost of credit, the US mortgage market, energy costs, inflation, and a declining US real estate market have contributed to increased volatility and diminished expectations for the global economy and the financial market going forward. These factors, combined with declining business and consumer confidence and increased unemployment in the United States and Europe, have precipitated a recession and lower consumer demand worldwide.

The PRC and international equity markets have also been experiencing heightened volatility. These events and the continuing upheavals have resulted in an economic slowdown and a decrease in consumer confidence in the PRC, which has in turn affected consumers' spending preferences and their demand for consumer products in general. For the four months ended 30 April 2009 as compared to the same period in 2008, our revenue and profit margin decreased, among others, as a result of the economic downturn. Please refer to the section headed "Financial Information – Recent Developments" in this prospectus. Our revenue and profit margins may continue to be adversely impacted as demand for our products is directly related to the level of consumption in the PRC and other markets outside the PRC. Please also refer to the section headed "Risk Factors – Risks relating to conducting business in the PRC – The current global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and results of operations" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that our success and future prospects are based on a combination of the following competitive strengths:

- Leading market position in the fast-growing Chinese herbal shampoo market in the PRC
- Unique brand positioning and strong brand recognition
- Our strong product research and development capabilities and dedication to quality control
- Established nationwide distribution and retail network
- Innovative and effective branding and multi-faceted marketing strategy
- Experienced, dedicated and innovative management team with a track record of delivering growth and profitability

STRATEGIES

We aim to become a global leader of branded Chinese herbal HPC products. We intend to achieve this goal by implementing the following strategies:

- Strengthen our leading market position in the Chinese herbal shampoo market, further diversify our Chinese herbal HPC product offerings and continue to adopt a multi-brand portfolio strategy
- Enhance existing and new brand promotion to raise brand awareness
- Expand our distribution and retail network
- Continue to strengthen our research and development capabilities
- Expand our production capacity

SUMMARY

- Expand into the upstream business to secure supply and control quality of raw materials
- Attract and retain talented personnel

RISK FACTORS

Risks relating to our business

- If we fail to effectively promote our brands, particularly our 霸王 (Bawang) brand, our business, financial condition and results of operations may be materially and adversely affected
- We may not be able to predict or meet consumer preferences or demand and our products may lose competitive advantage
- Our efforts to promote our brands, diversify and develop our products and expand our markets may not be successful
- Our products may cause unexpected or undesirable side effects of which we had no knowledge. Such unknown side effects, quality control concerns or other reasons may result in costly product returns or recalls, which in turn could lead to severe reputational damage, monetary losses or lawsuits
- We may be susceptible to claims that our products are not as effective as we claim them to be
- We depend on celebrities to be our brand ambassadors to market our brands and products
- We consider the formulae of our products, especially shampoo and hair-care products, to be our know-how, and our ability to compete could be harmed if such know-how is disclosed to third-parties
- The use of our 霸王 (Bawang) trademark by Guangzhou Bawang in certain unused trademark classes that are not considered to be part of our business may dilute or diminish the value of our 霸王 (Bawang) brand
- Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third-parties
- Third-parties may assert or claim that we have infringed their intellectual property rights
- We may encounter difficulties in expanding our distribution and retail network
- We rely on our key distributors and our key retailers to sell our products
- We have limited control over the practice and manner of the ultimate retail sales by our distributors, their sub-distributors and the retail outlets which they operate
- We may not be able to manage future rapid growth and our business and operations may be affected
- We may be unable to obtain financing on favorable terms, or at all, to meet our funding requirements
- Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel
- We rely on our current production facility, and we may not be able to obtain adequate production capacity to meet our existing obligations and growing market demand for our products
- We are vulnerable to increases in the prices of raw materials and packaging materials and our cost of sales may increase

SUMMARY

- We rely on a limited number of suppliers for our primary raw materials
- We rely on an independent third-party processor for Chinese herbal essence extraction
- We rely on an independent third-party employment agency to provide contract personnel for our operation, sales and promotional activities. We have limited control over these contract personnel and we may be liable for this employment agency's violation of the applicable PRC labor laws
- We rely on an independent third-party marketing and promotion company to conduct sales and promotion in retail outlets designated by us
- We do not maintain a large volume of raw materials or packaging materials at our production premises and our production may be interrupted in case of late delivery or short supply
- Our insurance coverage may not completely cover the risks related to our business and operations
- The preferential tax treatment we currently enjoy may be changed or discontinued
- We depend on our information technology infrastructure and a system failure or breakdown may cause interruptions of our business and operations
- We may fail to integrate future acquired businesses successfully into our existing operations

Risks relating to the HPC product industry

- The HPC product industry is highly competitive
- We are required to obtain and maintain various licenses and permits to operate our business and may be required to conduct more comprehensive trials to establish the effectiveness and safety of our products
- Changes in existing laws and regulations may cause us to incur additional costs to comply with the more stringent rules, which could slow down our product development efforts and limit our growth and development

Risks relating to conducting business in the PRC

- The current global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and results of operations
- Changes in political or economic policies and a slowdown in the PRC's economy may have an adverse impact on our operations
- Prolonged disruptions to the global credit markets may materially and adversely affect our liquidity, results of operations, financial conditions and prospects
- Restriction of payment of dividends under PRC law and the tax exemptions on dividends received by the Company and the Shareholders may be affected by the newly enacted Enterprise Income Tax Law
- 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.
- Our PRC subsidiaries are subject to existing restrictions on paying dividends or making other distributions to us and changes in foreign exchange regulations may adversely affect our business, financial condition and results of operations
- Fluctuation in the value of RMB may have a material adverse effect on our business, financial condition and results of operations

SUMMARY

- PRC regulation of direct investment and loans by offshore holdings companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional contribution or loans to our PRC subsidiary
- Changes and uncertainties in the PRC legal system may have an adverse impact on our operations
- It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them judgments obtained from non-PRC courts
- We are subject to a wide variety of environmental regulations, and any failure to comply with these regulations or to control the associated costs could harm our business
- The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations
- We may be subject to acts of God, acts of war and epidemics which are beyond our control and which may cause damage, loss or disruption to our business

Risks relating to the Global Offering

- The interests of our Controlling Shareholders may differ from those of other Shareholders
- The costs of share options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme will adversely affect our earnings and any exercise of the options granted may result in dilution to our Shareholders
- There has been no previous public market for our Shares, and an active trading market may not develop
- The trading volume and share price of our Shares may fluctuate
- Investors will experience dilution in pro forma net tangible book value because the Offer Price is higher than our net tangible book value per Share
- Our historic dividends do not indicate our future dividend policy
- Future sales, or perceived sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares
- Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law, and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of Hong Kong and other jurisdictions
- Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus
- Investors should read the entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media regarding the Group and/or the Global Offering
- Forward-looking statements contained in this prospectus are subject to risks and uncertainties
- Due to a gap of up to five business days between pricing and trading of the Offer Shares and that our Offer Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of the Offer Shares could be lower than the Offer Price

SUMMARY

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information about our Group. We have derived the consolidated financial information for the years ended 31 December 2006, 2007 and 2008 from our audited consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus. The summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes.

	Year ended 31 December		
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)
Consolidated Income Statements			
Turnover	392,369	921,680	1,411,248
Cost of sales	(166,543)	(422,708)	(509,324)
Gross profit	225,826	498,972	901,924
Other revenue	—	—	484
Other net losses	(207)	(266)	(779)
Selling and distribution costs	(97,823)	(292,728)	(512,285)
Administrative expenses	(9,239)	(23,525)	(47,419)
Profit from operations	118,557	182,453	341,925
Finance income	538	1,464	3,117
Finance expenses	(1,202)	(1,900)	—
Net finance (costs) / income	(664)	(436)	3,117
Profit before income tax	117,893	182,017	345,042
Income tax	(1,934)	(672)	(63,268)
Profit for the year attributable to the equity holders of the Company	115,959	181,345	281,774
Dividends declared during the year	—	114,903	146,423

SUMMARY

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Consolidated Balance Sheets			
Non-current assets			
Property, plant and equipment	23,949	22,571	31,510
Lease prepayments	4,756	—	—
Total non-current assets	28,705	22,571	31,510
Current assets			
Inventories	83,673	41,983	51,992
Trade and other receivables	88,828	141,204	136,495
Amounts due from related parties	16,016	135,197	132,746
Income tax recoverable	386	—	—
Other investment	—	100,000	—
Cash and cash equivalents	71,441	102,830	298,148
Total current assets	260,344	521,214	619,381
Current liabilities			
Trade and other payables	94,054	238,711	171,997
Amounts due to related parties	36,092	130,846	144,342
Current tax payables	255	—	13,655
	130,401	369,557	329,994
Net current assets	129,943	151,657	289,387
Total assets less current liabilities	158,648	174,228	320,897
Non-current liabilities			
Deferred tax liabilities	—	—	6,369
Net assets	158,648	174,228	314,528
Capital and reserves			
Paid-in capital	118,813	—	—
Reserves	39,835	174,228	314,528
Total equity	158,648	174,228	314,528

SUMMARY

GLOBAL OFFERING STATISTICS⁽¹⁾

	Based on an Offer Price of HK\$1.95	Based on an Offer Price of HK\$2.38
Market capitalization of the Shares ⁽²⁾	HK\$5,460 million	HK\$6,664 million
Unaudited pro forma adjusted net tangible assets value per Share ⁽³⁾	HK\$0.58 (RMB0.51)	HK\$0.68 (RMB0.60)

Notes:

- (1) All calculations in this table are on the assumption that the Over-allotment Option, the options granted pursuant to our Pre-IPO Share Option Scheme, and any further options granted pursuant to our Share Option Scheme, have not been exercised.
- (2) The calculation of market capitalization is based on 2,800,000,000 Shares expected to be in issue following the Global Offering and the Capitalization Issue.
- (3) The unaudited pro forma adjusted net tangible asset value per Share has been prepared on the basis set forth the section headed "Unaudited Pro Forma Adjusted Net Tangible Assets" in Appendix II "Unaudited Pro Forma Financial Information" to this prospectus and based on 2,800,000,000 Shares expected to be in issue following the Global Offering and Capitalization Issue.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$2.165 (being the mid-point of the proposed Offer Price range of HK\$1.95 and HK\$2.38), the adjusted net tangible asset value per Share will be HK\$0.68 (RMB0.60) per Share.

DIVIDEND POLICY

On 18 July 2007, Bawang Guangzhou declared to its then sole shareholder, Bawang Bermuda, a dividend of RMB114.9 million based on the distributable profits at the end of 2006, and the same was paid in September 2007. On 15 May 2008, our Company declared to our sole shareholder, Fortune Station, a dividend of HK\$163.0 million based on the distributable profits at the end of 2007, and the same was paid in May 2008. Our Company declared to our sole shareholder, Fortune Station, two dividends of HK\$166.7 million and HK\$116.7 million on 7 January 2009 and 23 May 2009, respectively, based on the distributable profits at the end of 2008, and the same were paid in January 2009 and May 2009, respectively. For the avoidance of doubt, the holders of Offer Shares will not be entitled to any of the aforesaid pre-IPO dividends.

We paid our pre-IPO dividends using net cash generated from our operating activities and did not obtain external funding for the distributions. The Directors confirm that payments of the aforementioned pre-IPO dividends have all been settled before Listing.

However, these payments are not indicative of our future dividend policy. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Future dividend payments will also depend upon the availability of dividends received from Bawang Guangzhou, our operating subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRSs. PRC laws also require a wholly foreign owned enterprise, such as Bawang Guangzhou, to transfer at least 10% of its net profit (after offsetting prior years' losses) to statutory reserve until the reserve balance reaches 50% of the registered capital under the Implementation Rules on the PRC Law on Wholly Foreign Owned Enterprises. The transfer to its reserve must be made before distribution of dividends to its equity holders. Distributions from our PRC operating subsidiary may also be restricted if it incurs losses or in accordance with any, restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our PRC operating subsidiary may enter into in the future.

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Subject to the factors above, we plan to distribute regular dividends after listing on the Stock Exchange. We intend to distribute as dividends approximately 30% of the distributable profits attributable to shareholders of the Company for full financial year subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme to motivate our Directors, senior management and employees to optimize their performance, efficiency and future contributions to our Group and to reward them for their contributions to our Group.

The total number of Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme:

- (i) 14,532,000 Shares, assuming that the Offer Price is set at the high-end of the indicative Offer Price range, representing (a) 0.5190% of the issued share capital of our Company immediately after the completion of the Global Offering and Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); or (b) approximately 0.5163% of the issued share capital of our Company immediately after the completion of the Global Offering, the Capitalization Issue and assuming that all options granted under the Pre-IPO Share Option Scheme are fully exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); or
- (ii) 17,719,000 Shares, assuming that the Offer Price is set at the low-end of the indicative Offer Price range, representing (a) 0.6328% of the issued share capital of our Company immediately after the completion of the Global Offering and Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); or (b) approximately 0.6288% of the issued share capital of our Company immediately after the completion of the Global Offering, the Capitalization Issue and assuming that all options granted under the Pre-IPO Share Option Scheme are fully exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option).

Assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full during the year ending 31 December 2009 and that (i) 2,814,532,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 14,532,000 Shares, assuming that the Offer Price is set at the high-end of the indicative Offer Price range, to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme; or (ii) 2,817,719,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 17,719,000 Shares, assuming that the Offer Price is set at the low-end of the indicative Offer Price range, to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending 31 December 2009, (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), the estimated impact of the options granted under the Pre-IPO Share Option Scheme on our Group's consolidated income statements for the year ending 31 December 2009 is as follow:

- (i) approximately HK\$7.71 million, assuming that the Offer Price is set at the high-end of the indicative Offer Price range; or

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- (ii) approximately HK\$7.67 million, assuming that the Offer Price is set at the low-end of the indicative Offer Price range.

Pursuant to the Pre-IPO Share Option Scheme and the relevant offer letters in respect of the grant of options:

- (a) the subscription price per Share under the Pre-IPO Share Option Scheme shall be at par value or at 50% discount to the Offer Price;
- (b) each option granted under the Pre-IPO Share Option Scheme has a 10-year exercise period;
- (c) the Shares issued within one year from the Listing Date as a result of the exercise of options under the Pre-IPO Share Option Scheme will be subject to a lock-up period of 12 months from the Listing Date; and
- (d) each option granted under the Pre-IPO Share Option Scheme shall not be transferable or assignable and shall not in any way sell, transfer, charge, mortgage, encumber or otherwise dispose or create any interest (whether legal or beneficial) whatsoever in favor of any third-party over or in relation to any option or enter into any agreement so to do.

Our Directors have undertaken to our Company that they and the relevant employees will not exercise options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after the Global Offering and the Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

For details of the Pre-IPO Share Option Scheme, please refer to the section headed “Pre-IPO Share Option Scheme” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to motivate our Directors, senior management and employees to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of the executive Directors and senior management of our Group, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. For details of the Share Option Scheme, please refer to the section headed “Share Option Scheme” in Appendix V to this prospectus.

USE OF PROCEEDS OF THE GLOBAL OFFERING

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$2.165 per share, being the mid-point of the indicative Offer Price range) will be approximately HK\$1,404 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 30%, or HK\$421.2 million, of which approximately 21% or HK\$294.8 million to be used to market and promote our existing and new brands and products such as increasing marketing and promotional activities and engaging of brand ambassador(s) and approximately 9%, or HK\$126.4 million, for potential future acquisition of brands which are in-line with our development strategy;
- approximately 20%, or HK\$280.8 million, of which approximately 11%, or HK\$154.4 million to be used to design, research and develop new products and approximately 9% or

SUMMARY

HK\$126.4 million to enhance (i) the functionality of our existing products; and (ii) our existing formulae to efficiently utilize our raw materials and explore the use of new raw materials;

- approximately 18%, or HK\$252.7 million, of which approximately 10%, or HK\$140.4 million to be used to expand and enhance distribution network in the PRC and approximately 8%, or HK\$112.3 million to develop markets outside the PRC such as Taiwan. This will include expenditures such as general distribution expenses and establishment of dedicated in-store counters in the PRC and overseas;
- approximately 12%, or HK\$168.5 million, of which approximately 9%, or HK\$126.4 million to be used for capital expenditures to establish new production facilities and purchase new production equipment, approximately 2.5%, or HK\$35.1 million, to be used for enhancing our research and development capabilities and facilities and develop an upstream plantation business, and approximately 0.5%, or HK\$7.0 million, to be used for upgrading the existing IT systems;
- approximately 10%, or HK\$140.4 million, to be used for potential future acquisition of HPC related businesses which either supplement our existing business or fit into our long-term strategy. As of the Latest Practicable Date, the Directors confirm that the Company has not entered into any agreement or negotiation nor do we have any definite plans at present in relation to any potential acquisition; and
- approximately 10%, or HK\$140.4 million for working capital and other general corporate purposes.

If the Offer Price is set at the high-end of the indicative Offer Price range, being HK\$2.38 per Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$145 million. We intend to apply the additional net proceeds to the above purposes on a pro-rata basis.

If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$1.95 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK\$146 million. We intend to reduce the allocation of such net proceeds on brand marketing and promotion, research and development, distribution network, capital expenditures, potential acquisitions and working capital by HK\$43.9 million, HK\$29.3 million, HK\$26.3 million, HK\$17.4 million, HK\$14.5 million and HK\$14.5 million, respectively.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$1,623 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end of the indicative Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$167 million. If the Offer Price is set at the low-end of the indicative offer price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will decrease by approximately HK\$167 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

The above intended use of the net proceeds from the Global Offering had taken into account of the impact of the recent economic slowdown.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we

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may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

As advised by our PRC legal advisor, subject to the relevant PRC governmental approvals, registrations and/or filings, the net proceeds from the Global Offering can be applied in the PRC according to the above intended use under the relevant existing PRC laws and regulations by: (i) increasing the registered capital of the Company's subsidiary in the PRC; (ii) establishing a new PRC subsidiary; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loan to the Company's subsidiary in the PRC in the amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. The Directors are of the view that there will be no material impact on the Group's liquidity requirements if the net proceeds from the Global Offering cannot be applied in the PRC.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

“Actual Reality”	Actual Reality Inc., a company incorporated under the laws of Island of Nevis on 22 February 2001 and beneficially owned by Mr. Chen and Ms. Wan
“Application Form(s)”	WHITE, YELLOW and GREEN Application Form(s), or where the context requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on 20 May 2009 and will become effective upon Listing
“associates”	has the meaning ascribed to it under the Listing Rules
“Bawang Bermuda”	BaWang International (Group) Holding Limited, a company incorporated under the laws of Bermuda with limited liability on 8 December 2004 and beneficially owned by Mr. Chen and Ms. Wan
“Bawang Guangzhou”	霸王(廣州)有限公司 (Bawang (Guangzhou) Co., Ltd.), a company established in the PRC as a wholly foreign owned enterprise on 13 April 2005 and an indirect wholly-owned subsidiary of the Company
“Bawang Hong Kong”	Bawang International Group Holding (HK) Limited, a company incorporated under the laws of Hong Kong with limited liability on 31 October 2007 and an indirect wholly-owned subsidiary of the Company
“Bawang Investments”	Bawang International Investments Limited, a company incorporated under the laws of Hong Kong with limited liability on 24 January 2008 and an indirect wholly-owned subsidiary of the Company
“Bawang Trading”	Hong Kong Bawang International Trading Limited, a company incorporated under the laws of Hong Kong with limited liability on 24 January 2008 and an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors of our Company
“business day”	any day (excluding Saturday, Sunday or public holidays) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR(s)”	compound annual growth rate
“Capitalization Issue”	the issue of 2,099,990,000 Shares to be made upon capitalization of certain sum standing to the credit of the share premium account of the Company referred to in the section headed “Resolutions of our Shareholder passed on 20 May 2009” in Appendix V to this prospectus

DEFINITIONS

“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macao and Taiwan
“Chinese herbal shampoo”	shampoo containing any type of natural ingredients of Chinese herbs
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	BaWang International (Group) Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 11 December 2007
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Fortune Station, Mr. Chen and Ms. Wan
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“Director(s)”	the director(s) of our Company as of the date of this prospectus
“Euromonitor”	Euromonitor International Plc, an independent third-party, which engages in the provision of international market intelligence including consumer products, services and lifestyles
“Forever Giants”	Forever Giants Limited, a company incorporated under the laws of the BVI with limited liability on 8 August 2008 and a wholly-owned subsidiary of the Company

DEFINITIONS

“Fortune Station”	Fortune Station Ltd., a company incorporated under the laws of the BVI with limited liability on 15 August 2007 and beneficially owned by Mr. Chen and Ms. Wan
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO service provider designated by the Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries (or before such associated companies became associated companies of our Company), the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guangzhou Bawang”	廣州霸王化妝品有限公司 (Guangzhou Bawang Cosmetics Co., Ltd.), a company established in the PRC as a wholly foreign owned enterprise on 23 November 2001 and beneficially owned by Mr. Chen and Ms. Wan
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 70,000,000 Offer Shares initially being offered for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 19 June 2009 relating to the Hong Kong Public Offering entered into by, among others, the Company and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus

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“HPC products”	household and personal care products
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“IFRSs”	International Financial Reporting Standards issued by the International Accounting Standards Board
“independent third-party(ies)”	a person(s) or company(ies) who/which is or are independent of and not connected with our Company and our connected persons
“International Placing”	the offer and sale of the International Placing Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the US Securities Act, and outside the United States in reliance on Regulation S, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 630,000,000 Offer Shares being initially offered by the Company for subscription at the Offer Price pursuant to the International Placing together, where relevant, with any additional Shares issued or sold pursuant to the exercise of the Over-allotment Option, the number of which is further subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters led by the Joint Bookrunners of the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing and to be entered into by, among others, the Company and the International Underwriters on or around 26 June 2009, as further described in the section headed “Underwriting” in this prospectus
“Joint Global Coordinators” or “Joint Bookrunners” or “Joint Sponsors” or “Joint Lead Managers”	HSBC and Morgan Stanley (in alphabetical order)
“KA retailers”	retailers classified as key accounts by the Company, categorized by retail brands including international and domestic supermarkets, hypermarkets and chain stores, which are of strategic importance to the Company
“Latest Practicable Date”	15 June 2009, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange

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“Listing Date”	3 July 2009, being the date on which dealings in our Shares are expected to commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Lucky Rich”	Lucky Rich Investments Limited, a company incorporated under the laws of the BVI with limited liability on 2 January 2008 and an indirect wholly-owned subsidiary of the Company
“Macao”	the Macao Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maxford Investments”	Maxford Investments Development Ltd., a company incorporated under the laws of the BVI with limited liability on 11 April 2007 and a wholly-owned subsidiary of the Company
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company
“ml”	milliliter, a thousandth of a liter
“Morgan Stanley”	Morgan Stanley Asia Limited
“Mr. Chen”	Mr. Chen Qiyuan (陳啟源), co-founder of our Group, our chairman, executive Director, one of our Controlling Shareholders and the spouse of Ms. Wan
“Ms. Wan”	Ms. Wan Yuhua (萬玉華), co-founder of our Group, our chief executive officer, executive Director, one of our Controlling Shareholders and the spouse of Mr. Chen
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) of not more than HK\$2.38 and expected to be not less than HK\$1.95, such price to be agreed upon by us and the Joint Bookrunners (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Placing Share(s)
“Old Guangzhou Bawang”	廣州霸王化妝品有限公司 (Guangzhou Bawang Cosmetics Co., Ltd.), a company established in the PRC as a domestic company on 28 May 1994 and Mr. Chen, Ms. Wan and Mr. Chen Qiwen (陳啟文), Mr. Chen’s brother, remained as shareholders until it was liquidated on 9 August 2008
“Other Products”	HPC products manufactured by the Group (such as toothpaste and shower gels) other than shampoo and hair-care products and skin-care products

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“Over-allotment Option”	the option granted by us to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to which the Company may be required to allot and issue up to an additional aggregate of 105,000,000 new Shares (in aggregate representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocation in the International Placing, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC Rate”	the exchange rate for foreign exchange transactions set daily by 中國人民銀行 (the People’s Bank of China) based on the previous day’s China interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets
“Pre-IPO Share Option Scheme”	the existing share option scheme for Directors or employees of our Group approved and adopted by our Company pursuant to a resolution passed by our Shareholder passed on 10 December 2008, the principal terms of which are summarized under the section headed “Pre-IPO Share Option Scheme” in Appendix V to this prospectus
“Price Determination Date”	the date, expected to be on or around Friday, 26 June 2009, and in any event not later than Sunday, 28 June 2009, on which the Offer Price is to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters) to determine the Offer Price
“QIBs”	Qualified Institutional Buyers as defined in Rule 144A under the US Securities Act
“Regulation S”	Regulation S under the US Securities Act
“Reorganization”	the reorganization of the business comprising our Group in preparation for the Global Offering, as described in the section headed “Company History and Reorganization” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	The State Administration of Foreign Exchange of the PRC
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 20 May 2009, the principal terms of which are summarized under the section headed “Share Option Scheme” in Appendix V to this prospectus
“sq.m.” or “m²”	square meter
“Stabilizing Manager”	Morgan Stanley or any of its affiliates or any persons acting for it
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about 26 June 2009 between Morgan Stanley or any of its affiliates or any persons acting for it and Fortune Station
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the period comprising the three years ended 31 December 2008
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US” or “United States”	the United States of America within the meaning of Regulation S
“US Securities Act”	the United States Securities Act of 1933, as amended
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the US
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“%”	per cent

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “would” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in our industry;
- our business prospects;
- the competitive markets for our products and the actions and development of our competitors;
- financial condition and performance;
- general political and economic conditions, including those related to the PRC;
- cost, fluctuations in the price and availability of raw materials;
- expansion, consolidation or other trends in our industry;
- our dividend policy;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and the industry and markets in which we operate;
- regulations and restrictions, including tariffs and environmental regulations;
- changes to our expansion plans and use of capital expenditures;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- realizing the benefits of our business plan and strategies.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

RISK FACTORS

In addition to other information in this prospectus, investors should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares, which may not be typically associated with investing in equity securities of companies from other jurisdictions. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected, and the market price of the Offer Shares could fall significantly.

RISKS RELATING TO OUR BUSINESS

If we fail to effectively promote our brands, particularly our 霸王 (Bawang) brand, our business, financial condition and results of operations may be materially and adversely affected

We believe that brand image plays an important role in influencing consumers' decisions in purchasing our products. Our brands, particularly our 霸王 (Bawang) brand, are critical to the success of our business. For the years ended 31 December 2006, 2007 and 2008, we derived 91.5%, 96.6% and 95.6%, respectively, of our revenue from the sales of products under the 霸王 (Bawang) brand. Our business and market position largely depend on our ability to successfully promote our brands, particularly our 霸王 (Bawang) brand, and our ability to continue to develop and sell new products under our brands. We market our brands and products through various channels and methods including (i) television commercials and sponsorship of television programs; (ii) advertising in newspapers, magazines, the Internet, public transport, billboards, banners and kiosks; (iii) selecting suitable celebrities to be our brand ambassadors; (iv) organizing frequent in-store marketing and promotional activities and roadshows; and (v) attending Chinese herbal-related events. In addition, we require the retailers operating under our distributors or the sub-distributors and our retailers to strictly follow the product display policy designed by us to ensure easy and consistent identification of our brands and products.

We cannot give assurance that our marketing and promotional activities will remain effective. If we fail to successfully market or promote our brands, our brand recognition may be adversely affected and the demand for our products may decline or fail to increase as we expected. If our brands are tarnished in any manner, we may lose our competitive advantage and our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to predict or meet consumer preferences or demand and our products may lose competitive advantage

We market our products by stating that our 霸王 (Bawang) branded products contain a combination of Chinese herbal ingredients. As a result, we rely on consumers' increasing interest in Chinese herbal shampoo and hair-care products. However, consumer preferences may shift away from such products for various reasons including but not limited to:

- a general decrease in consumer demand for natural and Chinese herbal products and changing to other types of products, such as chemical based products claiming to have pharmacological benefits;
- a change in consumers' belief that Chinese herbal products may improve their appearance, lifestyle and health; and
- negative publicity regarding Chinese herbal or related products.

In addition, consumers may not regard our products as effective as they claimed to be. Furthermore, we may not be able to develop products that could successfully meet the constantly changing consumer preferences. Any of these events could adversely affect our competitive advantage and market share, which in turn could materially and adversely affect our business, financial condition and results of operations.

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Our efforts to promote our brands, diversify and develop our products and expand our markets may not be successful

We currently adopt a multi-brand strategy by selling our Chinese herbal shampoo and hair-care products under our 霸王 (Bawang) brand and 追風 (Royal Wind) brand, non-Chinese herbal shampoo and hair-care products under our 丽涛 (Litao) brand, skin-care products under our 雪美人 (Smerry) brand, and Other Products under our 霸王 (Bawang) brand and 丽涛 (Litao) brand. Using this strategy, we have successfully set ourselves apart from our competitors by establishing our 霸王 (Bawang) brand as the leading brand in the Chinese herbal shampoo market in the PRC, while the introduction of our 追風 (Royal Wind) branded shampoo and hair-care products, our 雪美人 (Smerry) branded skin-care products and our 丽涛 (Litao) branded non-Chinese herbal HPC products have allowed us to tap into a wider consumer base across the PRC. For the years ended 31 December 2006, 2007 and 2008, our total advertising and promotional expenditures amounted to RMB84.8 million, RMB217.4 million and RMB339.0 million, respectively, which accounted for 21.6%, 23.6% and 24.0% of our total revenue, respectively. We intend to expand our brand portfolio to include new brands and target new consumer groups. The launch and development of a new brand involves considerable time and commitment which may exert a substantial strain on our ability to manage our existing business and operations. We cannot ensure the success of our multi-brand strategy or that any new brand will be successful or generate income. Failure of our multi-brand strategy could lead to wasted resources and damage to our reputation.

We intend to diversify our Chinese herbal shampoo and hair-care product series and expand our HPC products portfolio. The launch of a new product series and entry into new product categories involve inherent risks such as making incorrect judgments as to anticipated levels of demand and/or the prices to be charged for the new products. We may also lack sufficient experience in the management of the new products, such as research and development, marketing, regulatory compliance, sales, store site selection, market positioning and retail outlet management. We may not be able to reach agreements with our distributors or our retailers on commercially reasonable terms or at all to distribute our new products.

We intend to increase our market share in the existing markets and introduce our products into new markets. We expanded our business to Hong Kong, Macao and Singapore in 2008, and we expect to launch sales in Malaysia, Myanmar and Thailand in 2009. We also plan to expand to other markets outside the PRC, including Taiwan. We may not have sufficient experience to operate in these new markets and could face considerable challenges in our expansion into these markets, including:

- lack of local presence and familiarity with local business practices and conventions;
- shortages of personnel with both necessary language skills and technical capabilities;
- burden or cost of complying with foreign laws and regulations, including unexpected changes in regulatory requirements;
- cultural differences;
- inherent difficulties and delays in contract enforcement through the use of foreign legal systems;
- volatility in currency exchange rates;
- the risk that foreign countries may impose withholding tax (or otherwise tax our foreign income);
- changes in political, regulatory or economic conditions in a foreign country or region;
- economic slowdown in any of these countries;
- actual market demand for our products, in particular, Chinese herbal products outside the PRC being lower than our expectation;

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- foreign exchange controls or other regulatory restrictions that might prevent us from repatriating income earned in such countries; and
- greater difficulty collecting account receivables.

Any of the foregoing risks could have a negative impact on our efforts to promote our brands, diversify and develop our products and expand our markets, which in turn would materially and adversely affect our business, financial condition and results of operations.

Our products may cause unexpected or undesirable side effects of which we have no knowledge. Such unknown side effects, quality control concerns or other reasons may result in costly product returns or recalls, which in turn could lead to severe reputational damage, monetary losses or lawsuits

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 of which we are not aware and may cause undesirable side effects or harm to our consumers. As of the Latest Practicable Date, we were not aware of any report of side effects of our products that might be harmful to consumers. We cannot give assurance that our products will not have undesirable side effects on consumers in the future. If any side effect occurs or if our products are perceived to have such side effect, we may be affected financially as a result of related product returns or recalls, which in turn could lead to severe reputational damage, monetary losses or lawsuits. These lawsuits may be expensive for us to defend and will divert management's attention as well as other resources away from our business operations. They may also result in negative publicity which could further damage the reputation of our brands and products. If consumers lose confidence in our brands and products, they may not purchase these products and as a result, our business, financial condition and results of operations will be materially and adversely affected.

We provide quality assurance to our distributors, our retailers and consumers, and allow them to return products to us for quality defects or other reasons. We also plan to have measures that allow us to voluntarily recall products from the market if we become aware of any quality defects or other issues. We cannot give assurance that such returns would not happen or increase in the future. This could result in substantial costs, which could materially and adversely affect our business, financial condition and results of operations.

We may be susceptible to claims that our products are not as effective as we claim them to be

Our marketing campaigns rely heavily on the assertions and implications that our products will have particular effects and offer particular solutions to consumers. For example, we claim that our products can help blacken hair and prevent hair-loss. If consumers claim our products are not as effective as we claim them to be, we may incur legal and financial liabilities including damage to our brands and reputation. Furthermore, some of our competitors may aggressively use these claims against us. Defending such claims could be costly and time-consuming and may divert financial and other resources away from our business and operations. As a result, our brand, reputation, business, financial condition and results of operations may be materially and adversely affected.

We depend on celebrities to be our brand ambassadors to market our brands and products

We depend on celebrities to be our brand ambassadors to market our brands and products. Currently, Mr. Jackie Chan (成龍) is the image and brand ambassador for our 霸王 (Bawang) branded Chinese herbal shampoo and hair-care products. In 2009, we also selected Ms. Faye Wong (王菲) to act as the image and brand ambassador for our new 追風 (Royal Wind) branded Chinese herbal shampoo and hair-care products. She is also the image and brand ambassador for our new series of Chinese herbal skin-care products, which is expected to be launched in the PRC in the second half of 2009. In the future, we may select other celebrities to be our brand ambassadors to market our

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products. We built awareness of our 霸王 (Bawang) branded products mainly through advertisements featuring Mr. Jackie Chan (成龍). During the Track Record Period, brand promotion through Mr. Jackie Chan (成龍) played a significant role in our operating performance. We plan to continue to engage celebrities to promote our brands and products which we believe is crucial to our success. However, we cannot give assurance that any of our brand ambassadors' endorsements or advertisements will remain effective, that any of these brand ambassadors will remain popular or any of their images will remain positive and compatible with the messages that our brands and products aim to convey. Furthermore, we cannot give assurance that we can successfully find suitable celebrities to replace any of our existing brand ambassadors if any of their popularities declines or if he or she is not able or willing to continue to act as our brand ambassador, and termination of such engagements may have a significant impact on our brand images and subsequently the sales of our products. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

We consider the formulae of our products, especially shampoo and hair-care products, to be our know-how, and our ability to compete could be harmed if such know-how is disclosed to third-parties

Our products are produced using our proprietary formulae. We have kept these formulae as our know-how. We have not made any applications for patents for our formulae because patent registration in the PRC involves publication of the relevant details of the subject of the patent. We believe that such disclosure would provide our competitors with details of our formulae and would therefore enable them to imitate our production methods or refine their own production accordingly.

We cannot give assurance that our proprietary formulae will not be obtained by a competitor or another third-party or products using similar formulae will not be developed or marketed by such persons. After obtaining the same or similar formulae, such person may seek intellectual property rights and enjoin us from producing, promoting, selling or using products based on these formulae. We may not have adequate legal remedies to prevent products based on the same or similar formulae from being produced or marketed by a third-party. Consequently, we may lose our market share, and our business, financial condition and results of operations may be materially and adversely affected.

The use of our 霸王 (Bawang) trademark by Guangzhou Bawang in certain unused trademark classes that are not considered to be part of our business may dilute or diminish the value of our 霸王 (Bawang) brand

Prior to the Global Offering, Guangzhou Bawang transferred the 霸王 (Bawang) trademark to us to further streamline our business. The 霸王 (Bawang) brand has been registered by Guangzhou Bawang in multiple trademark classes, some of which are not related to our business. We have agreed to transfer the rights relating to such unused classes, which are not used in and not related to our business, back to Guangzhou Bawang. If such transfer is not feasible, we will grant an exclusive license to use such unused classes of the 霸王 (Bawang) trademark to Guangzhou Bawang. After the above transfers and/or licensing arrangement, we may have limited control over the use of the 霸王 (Bawang) trademark by Guangzhou Bawang for such unused classes. If Guangzhou Bawang uses the 霸王 (Bawang) trademark for such unused classes in a manner that is not appropriate to our business, the value of our 霸王 (Bawang) trademark may be diluted, damaged or diminished and as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third-parties

We rely on intellectual property laws in the PRC and other jurisdictions to protect our trademarks and brands. Our products have been subject to counterfeiting and imitation from time to time. We cannot give assurance that counterfeiting or imitation of our products will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively. Any occurrence of counterfeiting or imitation of our products or other breaches of our intellectual property rights could

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negatively affect our reputation and brand name, lead to loss of consumer confidence in our brands, and, as a consequence, adversely affect our results of operations. Any litigation to prosecute infringements upon our rights and products will be expensive and will divert the management's attention as well as other resources away from our business. We are not required under the PRC laws to maintain, and we do not maintain any insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from the relevant parties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

Intellectual property rights, such as trademarks and patents, are important in the consumer products industry as they protect brand images, product formulations and other valuable rights. Our competitors or other third-parties may have intellectual property rights and interests which could potentially come into conflict with ours. If any trademark or patent infringement or other intellectual property claims against us are successful, we 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. We may be legally required to expend significant resources 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 could significantly disrupt our business, divert our management's attention, or consume much of our financial resources. As a result, any intellectual property disputes could have a material adverse effect on our business, financial condition and results of operations.

We may encounter difficulties in expanding our distribution and retail network

As part of our business strategy, we plan to expand our distribution and retail network to grow our business. However, the success of our expansion plan is subject to, among other things, the following factors:

- the existence and availability of suitable regions and locations for expansion of our distribution and retail network;
- our ability to negotiate favorable cooperation terms with our distributors and our retailers;
- the availability of adequate management and financial resources;
- the availability of suitable distributors and retailers;
- our ability to hire, train and retain skilled personnel; and
- the adaptation of our logistics and other operational and management systems to an expanded distribution and retail network.

Accordingly, we cannot give assurance that we will be able to achieve our expansion goals or effectively integrate any new distributors and retailers into our existing network. If we encounter difficulties in expanding our distribution and retail network, our growth prospects may be limited, which could in turn have a material adverse effect on our business, financial condition and results of operations.

We rely on our key distributors and our key retailers to sell our products

We rely on our key distributors and our key retailers in selling our products. Their purchases accounted for a considerable amount of our sales revenue from all of our distributors and our retailers. For the years ended 31 December 2006, 2007 and 2008, aggregate sales to our top five distributors accounted for 18.1%, 10.0%, and 8.2%, respectively, of our total revenue, and aggregate sales to our top five retailers accounted for 12.4%, 9.5%, and 7.9%, respectively, of our total revenue. We cannot give assurance that we will be able to maintain our agreements with our key distributors or our key retailers on favorable terms or at all. Our distributors and our retailers may not be able to market and

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sell our products successfully or maintain their competitiveness, or we may not be able to monitor our distributors or our retailers directly to ensure efficient sales of our products to consumers. Furthermore, if the sales volumes of our products to our consumers are not maintained at a satisfactory level, our distributors or our retailers may not place orders for new products from us, may decrease the quantity of their usual orders or may ask for discount on the purchase price. The loss of our key distributors and our key retailers, or reduced orders from them, could materially and adversely affect our business, financial condition and results of operations.

We have limited control over the practice and manner of the ultimate retail sales by our distributors, their sub-distributors and the retail outlets which they operate

We currently do not own or operate any retail outlets, and we depend on our distributors, who sell products to their sub-distributors and/or their retailers, and our retailers to sell our products. We mainly sell our products through distributors. For the year ended 31 December 2008, we sold 83.8% of our products through our distributors and as of 31 December 2008 we had 567 distributors. Due to the large number of our distributors and the sheer size of the market, it is difficult to monitor our distributors' practices. In addition, even though we have direct contractual relationship with our distributors, we do not have any contractual relationship with those ultimate retail outlets who contract with and operate under our distributors or their sub-distributors. As a result, our control over the ultimate retail sales by these sub-distributors, retailers of our distributors and the retail outlets which they operate is limited. In particular, we contractually require our distributors to procure their sub-distributors and retailers to sell our products to consumers at our suggested retail price. However, we cannot give assurance that our suggested retail prices will be followed by the retail outlets, which may subsequently induce artificial price fluctuation and adversely affect the sales of our products, which may in turn materially and adversely affect our results of operations.

We may not be able to manage future rapid growth and our business and operations may be affected

Our business and operations have grown rapidly over the last few years. Our sales increased by 134.9% from RMB392.4 million in 2006 to RMB921.7 million in 2007 and by a further 53.1% from 2007 to RMB1,411.2 million in 2008. We intend to expand our production capacity, promote new brands, develop and diversify our products and enter into new markets. Our fast business growth could put significant strain on our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to effectively implement and improve management, operational and financial information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot give assurance that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to manage our expansion effectively may lead to increased costs, a decline in sales and reduced profitability, which in turn will affect our business, financial condition and results of operations.

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

We currently fund our operations principally by the proceeds from sales of our products and through capital injections by our Shareholders. To finance our ongoing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements, we may need to obtain adequate financing from external sources to supplement our internal sources of liquidity in the future. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, among other things:

- regulatory approvals to raise financing in the domestic or international markets;
- our financial condition, results of operations, cash flows and credit history;
- the condition of the global and domestic financial markets; and

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- changes in the PRC monetary policy with respect to bank interest rates and lending practices and conditions.

We had no indebtedness, mortgages or charges, did not issue any debt securities and did not utilize any bank facilities, except as disclosed in the sections headed “Financial Information – Indebtedness” and “Financial Information – Pre-Listing Arrangements” of this prospectus. However, we cannot give assurance that we will be able to obtain bank loans or renew existing credit facilities in the future on favorable terms or at all or that any fluctuation in interest rates will not affect our ability to fund our operations and planned developments. If adequate funding is not available to us on favorable terms, or at all, we may not be able to fund our existing operations and develop or expand our business, and therefore our business, financial condition and results of operations may be materially and adversely affected.

Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel

Our future success depends heavily on the continued services of our senior executives, talented personnel and other key employees. In particular, we rely on the expertise, experiences and customer relationships of our chairman, Mr. Chen, and our chief executive officer, Ms. Wan, both of whom play vital roles in our operation. Mr. Chen and Ms. Wan have an average of 15 years of experience in the consumer chemical product industry, and their expertise in business strategies, product design and development, business operations, sales and marketing, regulatory compliance and relationships with our customers and suppliers are crucial to us. We do not maintain key man insurance for any of our key personnel. If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our results of operations and future prospects. Moreover, our industry is characterized 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 qualified personnel in the PRC may drive up labor costs, which would in turn increase our costs of operations and affect our profitability. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

We rely on our current production facility, and we may not be able to obtain adequate production capacity to meet our existing obligations and growing market demand for our products

We have been using our production facility in Baiyun District, Guangzhou at a moderately high utilization rate and we expect to continue to do so in the near future. During the years ended 31 December 2006, 2007 and 2008, the utilization rates of our production facility of shampoo and hair-care products were approximately 75.0%, 76.9% and 70.0%, respectively. Further details about our current production facility are set forth in the section headed “Business – Production Premises and Production Capacity” in this prospectus. We produce all of our products at this production facility. If our current production facility is damaged or our lease is terminated early, we may not be able to remedy such situations in a timely and proper manner, and our production could be materially and adversely affected. As our business grows, we plan to lease a new production premises from Guangzhou Bawang and relocate part or all of our production to this new premises. The first stage of construction of the new production premises is expected to be completed by the end of 2009. To make our new facility ready for production, however, we may need to make significant capital investment and expend considerable human and other resources. We cannot give assurance that our new premises will be ready in time to meet our existing obligations and the growing market demands for our products. We may have to outsource our production to a third-party if such need arises. A number of events would delay our expansion plan or increase our costs, including:

- failure to raise sufficient funds to establish and maintain working capital to operate our business at the new facility;

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- landlord's or our failure to obtain environmental and other regulatory approvals, permits or licenses in a timely manner;
- shortages or late delivery of building materials and production equipment resulting in late delivery of the premises for our use and occupancy;
- seasonal factors affecting construction progress and resulting in late delivery of the premises for our use and occupancy; and
- technological changes, capacity expansion or other changes to our plans for the new facility necessitated by changes in market conditions.

We may not achieve the same or higher efficiency and quality standards after we relocate to the new production premises. Furthermore, we may not be able to expand our production capacity in response to changing market conditions or identify suitable third-parties for outsourcing or subcontracting in a timely manner. If we fail to meet demand from our distributors, our retailers or consumers, we may lose our market share. Moreover, any failure to expand our production lines or to increase the overall efficiency of our production facility may cause us to rely on third-party contractors and the resulted increase in costs may reduce our profits. As a result, our business, financial condition and results of operations may be adversely affected.

We are vulnerable to increases in the prices of raw materials and packaging materials and our cost of sales may increase

Our raw materials primarily consist of (i) Chinese herbs such as polygonum (首烏), ginseng (人參), Chinese honeylocust (皂角), Chinese arborvitae (側柏葉), and euphorbia hirta (飛揚草); (ii) surfactant; (iii) coconut oil; and (iv) fragrance. Our packaging materials primarily consist of paper boxes, plastic bottles and labels. Costs of raw materials and packaging materials represent a significant portion of our revenue. For the years ended 31 December 2006, 2007 and 2008, such costs represented 39.5%, 42.8% and 32.1%, respectively, of our revenue. In recent years, we experienced fluctuations in the prices 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 related raw materials. We expect the raw material prices to continue to fluctuate or be affected by inflation in the future. We may not be able to offset all price increases by raising the prices of our products. Moreover, we may lose competitive advantage if the prices of our products increase significantly. If the prices of raw materials and packaging materials increase in the future and we cannot pass on such increases to 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 rely on a limited number of suppliers for our primary raw materials

During the Track Record Period, we purchased our raw materials from a limited number of suppliers. For the years ended 31 December 2006, 2007 and 2008, our purchase from our top five suppliers of raw materials accounted for 50.0%, 35.0%, and 29.6%, respectively, of our total cost of sales. For the years ended 31 December 2006, 2007 and 2008, we had 54, 83 and 103 suppliers, respectively, among which 30, 39 and 48 respectively supplied our primary raw materials on a regular basis, and 24, 44 and 55, respectively, are considered by us to be alternative suppliers. To ensure a stable supply of raw materials, since 2007, we have adopted a policy of maintaining at least two suppliers for each raw material at any time. If fewer than two suppliers are available to provide a raw material to us or if a raw material is in severe short supply, we may also procure and use an alternative raw material so long as the alternative material does not significantly change the nature, quality, effects or consistency of our products. However, we cannot give assurance that we will be able to secure supplies of our primary raw materials from current sources at the same level or at all or alternative raw materials can be procured or used in our production. Nor can we give assurance that we can shift from our current supply of raw materials to other alternatives in a cost-efficient manner or at all. If the supplies of our raw materials are reduced or stopped for any reason, and if we cannot find suitable

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alternatives cost-effectively and in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

We rely on an independent third-party processor for Chinese herbal essence extraction

Since 2007, we have outsourced our Chinese herbal essence extraction process to an external extraction processor, which is an independent third-party. We believe that engaging an external extraction processor allows us to focus our resources in our core business and to reduce capital investment and costs. We selected this external extraction processor based on its product quality, production equipment, relevant experience and requisite licenses. This external extraction processor has been engaged in the Chinese herbal essence extraction business in the PRC for over 20 years and it has an established customer base. We believe alternative qualified Chinese herbal essence extraction processors are readily available in the market, and we may substitute this external extraction processor with alternative extraction processors if it fails to meet our requirements. Further details about this external extraction processor are set forth in the section headed “Business – Raw Materials, Packaging Materials and Suppliers – Chinese Herbal Essence Extracts” in this prospectus. For the years ended 31 December 2007 and 2008, we incurred RMB0.03 million and RMB0.9 million, respectively, to this external extraction processor. By providing services to us, this external extraction processor may obtain technical know-how from us and disclose that to our competitors, which subsequently may adversely affect us. In addition, if this external extraction processor fails or refuses to meet our production demands or to deliver the products to us on a timely basis, we may not be able to replace it with a suitable processor or other reliable sources of supply timely, and this may disrupt our production. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We rely on an independent third-party employment agency to provide contract personnel for our operation, sales and promotional activities. We have limited control over these contract personnel and we may be liable for this employment agency’s violation of the applicable PRC labor laws

We engage a substantial number of staff through an employment agency, which is an independent third-party, on an as-needed basis to help with our operational, sales and promotional activities across the PRC. We entered into various agreements with this employment agency to satisfy all of our current requirements. Further details of these arrangement are set forth in the sections headed “Business – Distribution and Retail Network – Sales Team” and “Business – Employees” in this prospectus. Since these contract personnel are not directly employed by us, our control over them is limited. If any contract personnel fail to operate in accordance with our business guidelines, our market reputation, brand images and results of operations could be materially and adversely affected.

Since we depend on the employment agency to meet our staffing requirements, we rely on them for the performance of their respective obligations under our agreements with them and in accordance with all applicable laws in the PRC. Our PRC legal advisor has advised us that this independent third-party employment agency holds the relevant valid permits to operate, and that the relevant agreements signed by us with the employment agency in relation to labor outsourcing are legal and effective. Nevertheless, under the PRC Labor Contract Law, which became effective on 1 January 2008, we may be jointly liable for the employment agency’s failure to comply with all applicable labor laws relating to the contract personnel provided to us. Accordingly, if the employment agency violates any relevant requirements under the applicable PRC labor laws or otherwise, we may incur legal liability, and our business, financial condition and results of operations could be materially and adversely affected.

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We rely on an independent third-party marketing and promotion company to conduct sales and promotion in retail outlets designated by us

Since September 2008, we have engaged a marketing and promotion company, which is an independent third-party, to conduct sales and promotional activities in retail outlets designated by us. This marketing and promotion company is responsible for providing sales personnel to us, managing most of our salespersons and implementing our promotional plans. Further details about arrangement with this marketing and promotion company are set forth in the section headed “Business – Distribution and Retail Network – Sales Team” in this prospectus. If this marketing and promotion company fails to meet our requirements or implement our promotional plans in a satisfactory manner, our sales, business, financial condition and results of operations could be materially and adversely affected.

We do not maintain a large volume of raw materials or packaging materials at our production premises and our production may be interrupted in case of late delivery or short supply

We have limited warehousing space at our production premises in Baiyun District, Guangzhou and do not maintain a large volume of raw materials or packaging materials at the premises. We purchase raw and packaging materials from suppliers and use a third-party contractor to extract Chinese herbal essence, thus eliminating the need to store a large volume of raw and packaging materials at our facility. We source most of our raw materials from suppliers located in Guangdong province in the PRC. In addition, we have adopted a policy of maintaining at least two suppliers for each type of raw material at any time. During the Track Record Period, we have not experienced any serious interruptions in the production due to delays in delivery of raw materials. However, we cannot give assurance that our suppliers will continue to deliver raw materials to us in a timely manner or at all. If we do not have adequate raw materials at our facility in case of late delivery or short supply, our production may be interrupted and our business, financial condition and results of operations may be materially and adversely affected.

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

Natural disasters, acts of war, terrorist acts, political unrest and epidemics, or other events which are beyond our control, may adversely affect our business, financial condition and results of operations. We may 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 due to the occurrence of any of the above events. Furthermore, we are subject to hazards and risks that are normally associated with our operations. Our substantial production activities are conducted at our production facility located in the Baiyun District, Guangzhou. Our products are produced, packaged and stored at the same location. Our operations are subject to interruption or damage by fire, power failure and power shortages, hardware and software failure, floods, natural disasters and other events beyond our control at our production facility. As a result, any interruption could seriously compromise our production activities, and our business, financial condition and results of operations may be materially and adversely affected. We may also face exposure to product liability claims in the event that any of our products is alleged to have resulted in harmful adverse effects. We cannot give assurance that our insurance policies are sufficient to cover all the risks associated with our operations. In particular, we are not required under PRC law to maintain, and we do not maintain any product liability, third-party liability or business interruption insurance in the PRC. Losses incurred for liabilities not covered by our insurance policies may have a material and adverse effect on our business, financial condition and results of operations.

The preferential tax treatment we currently enjoy may be changed or discontinued

We are considered to be a foreign enterprise in the PRC, and in accordance with the Income Tax Law of the People’s Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (the “**FIE**” and the law, the “**Income Tax Law**”) and the related rules, FIEs located in Guangdong which are producers with more than ten years of

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operations, are exempt from paying enterprise income tax for a period of two years, starting from the year when such FIE begins to make a taxable profit after deducting any losses that may be carried over from previous years. After such two-year period, the FIE enjoys a 50% reduction in tax rate for the following three years (the “**Tax Holiday**”). In addition, according to the tax regulations promulgated by the Guangdong provincial government on 24 April 1992, FIEs located in Guangdong are exempt from the local enterprise income tax during the Tax Holiday. Substantially all our income from the PRC is currently derived from our production facility in Guangzhou, which qualifies as an FIE. Our tax exemptions expired in 2007 and our Tax Holiday will end in 2010. Starting in 2011, our tax rate is expected to change from the existing rate of 12.5% to the standard income tax rate of 25%, which in turn could adversely affect profit after tax. On 1 January 2008, the new Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**Enterprise Income Tax Law**”) became effective. According to the new tax law, the enterprise income tax for both domestic enterprises and FIEs become the same, and the maximum corporate income tax rate in the PRC will be reduced from 33% to 25%, but enterprises enjoying preferential tax treatment which extended for a fixed term prior to 1 January 2008 will still be entitled to this treatment until the fixed term expires. Our effective tax rates for the years ended 31 December 2006, 2007 and 2008 were 1.6%, 0.4% and 18.3%, respectively. Our effective tax rate for the year ended 31 December 2008 includes a provision for withholding income tax of 5% on the distributable earnings derived from the profits of a PRC subsidiary earned since 1 January 2008 by its immediate holding company in Hong Kong. We cannot give assurance that the PRC policies on preferential tax treatment will not change and that the current Tax Holiday enjoyed by our Company will not be cancelled. If such changes and cancellation occur, the resulting increase in our tax liability may have a material and adverse effect on our net profits and cash flow.

We depend on our information technology infrastructure and a system failure or breakdown may cause interruptions of our business and operations

We depend on our information technology infrastructure to conduct our production activities, manage risks, implement our internal control systems and manage and monitor our business and operations. We acquired and installed an enterprise resource planning system, or ERP system, in the first half of 2008. The ERP system consists of six modules: procurement management, inventory management, sales management, accounts receivable, accounts payable and general ledger. The implementation of our ERP system has enabled us to standardize many aspects of our operations, including product codes and names, classification of our raw materials, raw material suppliers, our distributors and our retailers, accounting systems and operational processes. We will rely on third-party information technology service providers to maintain and upgrade our systems, and we have contracted reputable information technology companies widely accepted in our industry to construct and improve our information technology infrastructure. A failure or breakdown of any part of our information technology system may interrupt our normal business or operations, result in a slowdown in operational and management efficiency and adversely affect our ability to meet our production schedules. Furthermore, a serious dispute with our information technology service provider or termination of service contract with such provider may adversely affect our ability to upgrade our information technology infrastructure in a timely manner and cost-effectively. If any of these events occur, our business, financial condition and results of operations may be materially and adversely affected.

We may fail to integrate future acquired businesses successfully into our existing operations

We may acquire businesses that we believe would benefit us in terms of product, brand, geographical presence or distribution and retail network. Our ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing for such acquisitions. Even if we successfully complete an acquisition, we may experience difficulties in integrating the acquired business, its personnel or its products into our existing business; delays or failures in realizing the benefits of the acquired business or its products; diversion of our management’s time and attention from other business concerns; higher costs of integration than we anticipated; or difficulties in retaining key employees of the acquired business who are necessary to manage the acquired business. As of the Latest Practicable Date, we

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have not entered into any agreement or negotiation nor do we have any definite plans at present in relation to any potential acquisition. However, if we undertake such acquisition but fail to integrate any acquired businesses successfully into our existing operations, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE HPC PRODUCT INDUSTRY

The HPC product industry is highly competitive

The HPC product industry is highly competitive and is characterized by frequent introduction of new products, price sensitivity and consumer focus on quality and functions. We face strong competition from our existing competitors as well as new entrants, including international and domestic manufacturers of HPC products, to this industry. Some of these manufacturers are large-scale multinational conglomerates with ample business resources, financial resources and/or proven experience in developing and marketing HPC products. We compete on the basis of our ability to tailor our products toward consumer preferences, brand awareness, as well as pricing. However, some of our competitors have more resources or lower costs of operations and some may have competitive advantages in developing new products or entering into new markets. Our competitors may, from time to time, engage in aggressive pricing to gain market share. In addition, a number of companies currently focus on producing different types of HPC products from ours. A number of companies currently not competing directly with us may possess the capability to produce the types of products we produce and we cannot give assurance that they will not compete with us in the future. We cannot give assurance that our competitors will not create equally or more effective HPC products based on Chinese herbs, and at more competitive prices. Furthermore, our competitors may take other actions against us in order to gain competitive advantages, including but not limited to filing unsubstantiated complaints or advancing legal claims against us for various alleged misbehaviors or violations. If we are unable to maintain a competitive advantage and compete successfully against our competitors and any new entrant to this industry in the future, our business, financial condition and results of operations will be materially and adversely affected.

We are required to obtain and maintain various licenses and permits to operate our business and may be required to conduct more comprehensive trials to establish the effectiveness and safety of our products

In accordance with PRC laws and regulations, we are required to obtain and maintain different licenses and permits for different products in the normal course of our business. We are also required to comply with regulatory requirements applying to products claiming special effects and solutions. The loss of or failure to renew our licenses and permits could lead to temporary or permanent suspension to some or all of our production or distribution operations. We have conducted experiments and trials regarding the effectiveness of our 霸王 (Bawang) branded anti-hair loss shampoo, hair-blackening shampoo, and other hair-care products. However, we cannot give assurance that the Ministry of Health of the PRC (中華人民共和國衛生部), the State Food and Drug Administration of the PRC (中華人民共和國國家食品藥品監督管理局) and other government entities will not introduce new laws and regulations which require us to conduct experiments and trials. If we are required to conduct comprehensive and sometimes costly experiments or trials, we will incur higher costs in research and development and have fewer resources for business expansion. If we fail to comply with licensing or other regulatory requirements, our business, financial condition and results of operations may be materially and adversely affected.

Changes in existing laws and regulations may cause us to incur additional costs to comply with the 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 cosmetic products and general consumer protection and product safety in the jurisdictions in which we sell our products. In particular, we are

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subject to laws and regulations in the PRC, where all our products are produced and substantial quantities of our products are sold. For example, the Administrative Regulations on Cosmetic Labeling (化妝品標識管理規定) promulgated on 27 August 2008 has set out new requirements for producers of cosmetic products with respect to the information required and/or prohibited in a product label. Specifically, a producer is required to provide detailed information about the place where the product is produced, the name and 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. Under this new regulation, the label must not contain any information claiming or implying any medical or therapeutic effects. We have received confirmation from the Administration of Quality and Technology Supervision of Guangdong Province (廣東省質量技術監督局), the local government authority responsible for implementing this product labeling law, that Bawang Guangzhou has not been punished due to issues related to product quality from 20 November 2007, the date on which Bawang Guangzhou obtained the production licenses, to 30 September 2008. Likewise, we have not received any penalty due to violation of this labeling law as of the Latest Practicable Date. However, given the short history of this new law, it remains unclear whether any of our product labels is in violation of the law. If we are determined by the relevant government authorities to be in violation of this law in the future, we may be ordered to rectify within a specific period of time. If we fail to rectify in a timely manner, a fine of no more than RMB10,000 will be imposed on us. We cannot give assurance that we will not have to redesign our product packaging, print new labels or take other necessary actions to comply with this new regulation or other similar laws and regulations should the relevant government authorities determine us to be in violation of the law. Other laws and regulations in the PRC also change from time to time. As a result, we may incur additional costs and our business growth and development may slow down due to resources we have to spend on complying with these laws and regulations.

Furthermore, our products are sold in countries and regions such as Hong Kong, Macao and Singapore. They are also expected to be launched in Malaysia, Myanmar and Thailand in 2009, and may be sold in other markets outside the PRC in the future, including Taiwan. General consumer protection and product safety laws in the jurisdictions in which we sell or plan to sell our products may set out additional requirements for the composition, testing, labeling and packaging of our products. These laws may prevent our entry into new markets or raise the barriers of entry. More importantly, failure to comply with these rules in jurisdictions where we currently sell our products may result in the imposition of conditions or the suspension of sales or seizure of our products, significant penalties or claims and, in some jurisdictions, criminal liabilities. We may incur additional costs to comply with the more stringent rules, which could slow down our product development efforts, limit our growth and development and have a material and adverse impact on our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The current global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and results of operations

The global capital and credit markets have been experiencing extreme volatility and disruption in the recent periods. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the US mortgage market and a declining residential real estate market in the US and elsewhere have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events have led to a slowdown in the Chinese economy which a number of economists predict could be significant and protracted. As a result, consumer demand for our products may significantly decrease, thereby materially and adversely affecting our business, financial condition and results of operations.

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Changes in political or economic policies, and a slowdown in the PRC's economy may have an adverse impact on our operations

Substantially all of our assets are currently located in the PRC. A substantial part of our revenue is generated from products produced and sold in the PRC and we expect this situation to continue in the near future. As a result, our results of operations and prospects are and will continue to be subject to political, economic and legal developments in the PRC to a significant degree. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, allocation of resources, capital reinvestment, levels of development, growth rate, and control of foreign exchange.

Historically, the PRC economy was centrally-planned, with a series of economic plans promulgated and implemented by the PRC government. Since 1978, the PRC government has been promoting economic and political reforms. The PRC has gradually shifted from a planned economy toward a market-oriented economy. However, continued governmental control of the economy may adversely affect us. We cannot give assurance that the PRC government will continue to pursue economic reforms. A variety of policies and measures that could be taken by the PRC government to regulate the economy, including the introduction of measures to control inflation, deflation, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, could materially and adversely affect our business, financial condition and results of operations.

Prolonged disruptions to the global credit markets may materially and adversely affect our liquidity, results of operations, financial condition and prospects

The availability of credit to entities, such as ourselves, operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the cost or availability of funding for entities within any of these markets, including ourselves. Since the second half of 2007, global credit markets, particularly in the United States and Europe, have experienced difficult conditions. These challenging market conditions have resulted in reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets and a reduction in available financing. It is difficult to predict how long these conditions will exist and the extent to which we may be affected. Prolonged disruptions to the global credit markets could limit our ability to borrow funds in the future, if necessary, which could materially and adversely affect our liquidity, results of operations, financial condition and prospects.

Restriction of payment of dividends under PRC law and the tax exemptions on dividends received by the Company and the Shareholders may be affected by the newly enacted Enterprise Income Tax Law

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits with regard to the subsidiaries of the Company incorporated in the PRC means their after tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that it 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 IFRSs. As a result, the subsidiary of the Company incorporated in the PRC may not be able to pay any dividend in a given year to the Company if it does not have distributable profits as determined under PRC GAAP, even if it has profits for that year as determined under IFRSs. Accordingly, since the 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 IFRSs.

In addition, the Company was incorporated under the laws of the Cayman Islands and it holds interests in Bawang Guangzhou through a Hong Kong company. The newly enacted Enterprise Income Tax Law and its implementation rules stipulate that if an entity is deemed to be a non-PRC

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resident enterprise without an office premises in the PRC, withholding tax at the rate of 10% will be applicable to any dividends paid to it by its PRC subsidiary, unless it is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaty between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to a withholding tax at the rate of 5% if the Hong Kong company directly holds a 25% or more interest in the PRC enterprise.

Moreover, the new law provides that, if an enterprise incorporated outside the PRC has its “de facto management organization” located within the PRC, the enterprise may be recognized as a PRC resident enterprise and thus may be subject to an enterprise income tax at the rate of 25% on its worldwide income. Substantially all of the Group’s management team members are residing in the PRC. If most of them continue to reside in the PRC, the Company may be deemed a PRC resident enterprise and therefore subject to the PRC enterprise income tax at a rate of 25% on its worldwide income, which excludes the dividends received directly from another PRC resident enterprise. If it does, the Company’s distributable profits may be adversely affected.

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 Enterprise Income Tax Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have an establishment or place of 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 the 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 the PRC. If we are considered a PRC “resident enterprise”, it is unclear whether the dividends we pay with respect to our Shares, or the gain investors may realize from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the new 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.

Our PRC subsidiaries are subject to existing restrictions on paying dividends or making other distributions to us and changes in foreign exchange regulations may adversely affect our business, financial condition and results of operations

We are a holding company incorporated in the Cayman Islands, and we rely on dividends paid by our PRC operating subsidiary for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders, to service any debt we may incur, and to pay our operating expenses. PRC regulations currently permit payment of dividends only out of accumulated profits, as determined in accordance with the accounting standards and regulations in China, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including the IFRSs. Our PRC subsidiary is required to set aside at least 10% of its accumulated profits after tax each year, if any, to fund certain reserve funds, until the aggregate accumulated reserve funds exceed 50% of its registered capital. These reserve funds cannot be distributed as cash dividends. In addition, if our PRC subsidiary incurs debt on its own or enters into certain other agreements in the future, the instruments governing the debt or such other agreements may restrict its ability to pay dividends or make other distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may materially and adversely affect our ability to pay dividends to our Shareholders and to service our debts.

We receive all of our revenue in RMB, which is not freely-convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our subsidiaries to use our revenue generated in RMB to pay dividends to us. Under existing foreign exchange regulations in the PRC,

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following completion of the Global Offering, our PRC subsidiary may make payment of dividends without prior approval from SAFE by producing documents including but not limited to commercial documents evidencing dividend allocation, provided that they are processed through PRC banks licensed to engage in foreign currency transactions. The PRC government has stated publicly that it intends to make the RMB freely convertible in the future. However, uncertainty exists as to whether the PRC government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC, in which case our ability to pay dividends or satisfy other foreign exchange requirements may be adversely affected.

Fluctuation in the value of RMB may have a material adverse effect on our business, financial condition and results of operations

We currently sell products overseas in Hong Kong, Macao and Singapore. We expect to launch sales in Malaysia, Myanmar and Thailand in 2009 and plan to enter into other overseas markets in the future, including Taiwan. We may transact business in these markets using local currencies. The exchange rates of these currencies relative to RMB, our functional currency, may fluctuate and may materially and adversely affect our business, financial condition and results of operations in the future.

The value of the RMB against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on the PBOC Rates. On 21 July 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band, against a basket of certain foreign currencies. On 23 September 2005, the PRC government widened the daily trading band for RMB against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new exchange system. Between 21 July 2005 and 31 December 2008, the RMB appreciated approximately 18.7% against the U.S. dollar. Even though substantially all of our revenue and expenses are denominated in RMB, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavorable movement in the exchange rate may lead to an increase in our costs or a decline in sales, which could materially and adversely affect our business, financial condition and results of operations.

PRC regulation of direct investment and loans by offshore holdings companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional contribution or loans to our PRC subsidiary

Any capital contribution or loans that we, as an offshore entity, make to our PRC subsidiary including from the proceeds of this offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiary cannot exceed the difference between the total amount of investment that our PRC subsidiary is approved to make under relevant PRC laws and the registered capital of that PRC subsidiary, and any such loans must be registered with the local branch of SAFE. In addition, our additional capital contributions to our PRC subsidiary must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot give assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contribution or provide loans to our PRC subsidiary or to fund its operations may be adversely affected, which could harm our PRC subsidiary's liquidity and its ability to fund its working capital and expansion projects and meet its obligations and commitments.

Changes and uncertainties in the PRC legal system may have an adverse impact on our operations

The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of

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these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. Consequently, developments and changes in PRC laws and regulations, including their interpretation and enforcement, may have a material and adverse effect on our business, financial condition and results of operations.

It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them judgments obtained from non-PRC courts

We are incorporated in the Cayman Islands. The majority of our Directors reside in the PRC. Almost all of our assets and some of the assets of those Directors are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service or process against our assets or Directors in China in order to seek recognition and enforcement for foreign judgments in China.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

We are subject to a wide variety of environmental regulations, and any failure to comply with these regulations or to control the associated costs could harm our business

We are required to comply with various and extensive environmental, health and safety laws and regulations promulgated by the PRC government and the governments of the overseas jurisdictions in which we operate. If we fail to comply with these laws and regulations, we could be exposed to penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. As these laws and regulations continue to evolve, we cannot give assurance that the PRC government or the governments of other overseas jurisdictions in which we may have future operations will not impose additional or more onerous 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, our retailers or consumers. Such events could materially and adversely affect our business, financial condition and results of operations.

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The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations

On 29 June 2007, the National People's Congress of China enacted the Labor Contract Law (勞動合同法), which became effective on 1 January 2008. Compared to the Labor Law (勞動法), the Labor Contract Law establishes more restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labor Contract Law, an employer is obligated to sign an unlimited term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts. The employer also has to pay compensation to employees if the employer terminates an unlimited term labor contract. Unless an employee refuses to extend an expired labor contract, compensation is also required when the labor contract expires and the employer does not extend the labor contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年假條例), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labor measures, our labor costs may increase. We cannot give assurance that any disputes, work stoppages or strikes will not arise in the future.

We may be subject to acts of God, acts of war and epidemics which are beyond our control and which may cause damage, loss or disruption to our business

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some cities in the PRC are under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought. For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May and June of 2008, resulting in tremendous loss of lives and injury and destruction of assets in the region. In April 2009, a swine influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. Our business, operating results and financial condition may be adversely affected in a material respect if such natural disasters occur. Certain areas of China, including Guangdong province, are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("SARS") or swine or avian influenza. A recurrence of SARS, an outbreak of swine or avian influenza, or any epidemic, in Guangdong province or other areas of China, could result in material disruptions to our operations or a slowdown of China's economy, which could materially and adversely affect our business, financial condition and results of operations. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facility, disrupt our distribution channels and destroy our markets, any of which could materially impact our sales, costs, overall financial condition and results of operations. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, financial condition and results of operations may be materially and adversely affected as a result.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholders may differ from those of other Shareholders

Immediately following the Global Offering, our Controlling Shareholders, Mr. Chen and Ms. Wan, will beneficially own 75.0% of our Company's outstanding shares on a fully-diluted basis, or approximately 72.3% if the International Underwriters exercise their Over-allotment Option in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-Controlling Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

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Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other Shareholders.

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

We have adopted the Pre-IPO Share Option Scheme and the Share Option Scheme to motivate our senior management members. Issuance of Shares for the purpose of satisfying any award made under the Pre-IPO Share Option Scheme will increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share.

Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending 31 December 2009 and that (i) 2,814,532,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 14,532,000 Shares, assuming that the Offer Price is set at the high-end of the indicative Offer Price range, to be issued upon the exercise if all the options granted under the Pre-IPO Share Option Scheme; or (ii) 2,817,719,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 17,719,000 Shares, assuming that the Offer Price is set at the low-end of the indicative Offer Price range, to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending 31 December 2009, (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), the estimated impact of the Pre-IPO Share Options on our Group's consolidated income statements for the year ending 31 December 2009 is as follow:

- (i) approximately HK\$7.71 million, assuming that the Offer Price is set at the high-end of the indicative Offer Price range; or
- (ii) approximately HK\$7.67 million, assuming that the Offer Price is set at the low-end of the indicative Offer Price range.

As such, the value of the options granted under our Pre-IPO Share Option Scheme will be charged to our Group's income statement over the vesting period, and this may result in a dilution in the earnings per Share and net assets value per Share.

We have also 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 approximately 10% of the issued share capital of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative effect 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 may thus 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 Pre-IPO Share Option Scheme and the Share Option Scheme and the options granted thereunder are set out in the sections headed "Directors and Senior Management – Pre-IPO Share Option Scheme" as well as "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to this prospectus.

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

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price will be determined by the Joint Bookrunners (on behalf of the Underwriters) and us. The Offer Price may differ from the market price of our Shares after the Global Offering. We cannot give assurance the listing of our Shares on the Stock Exchange will result in the development of an active or liquid trading market for the Shares following the Global Offering or in the future or, if it does develop, that it will be sustained after the Listing or that the market price of our Shares will not decline below the Offer Price.

The trading volume and share price of our Shares may fluctuate

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of the presence of competitors, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents we may suffer, changes in our senior management personnel, changes in ratings by financial analysts and credit rating agencies, litigation, or fluctuations in the market prices for our products or raw materials could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Investors will experience dilution in pro forma net tangible book value because the Offer Price is higher than our net tangible book value per Share

Because the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible book value of HK\$1.5363 per Share (assuming an Offer Price of HK\$2.165, being the mid-point of our Offer Price range of HK\$1.95 to HK\$2.38 per Share). If we issue additional Shares in the future, purchasers of our Shares may experience further dilution in their ownership percentage.

Our historical dividends do not indicate our future dividend policy

On 18 July 2007, Bawang Guangzhou declared to its then sole shareholder, Bawang Bermuda, a dividend of RMB114.9 million based on the distributable profits at the end of 2006, and the same was paid in September 2007. On 15 May 2008, our Company declared to our sole shareholder, Fortune Station, a dividend of HK\$163.0 million based on the distributable profits at the end of 2007, and the same was paid in May 2008. Our Company declared to our sole shareholder, Fortune Station, two dividends of HK\$166.7 million and HK\$116.7 million on 7 January 2009 and 23 May 2009, respectively, based on the distributable profits at the end of 2008, and the same were paid in January 2009 and May 2009, respectively.

In the future, the amount of dividends we may declare and pay will be subject to, among other things, the full discretion of our Directors, and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition and any other factors which our directors may consider relevant. Accordingly, the amounts of distributions that we have declared and made in the past do not indicate the dividends that we may pay in the future.

Future sales, or perceived sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

Future sales by us or our Controlling Shareholders of substantial amounts of our Shares in the public markets after the Global Offering could adversely affect market prices prevailing from time to

RISK FACTORS

time. Please refer to the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering” of this prospectus for a more detailed discussion of restrictions that may apply to future sales of our Shares.

After these restrictions lapse, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law, and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of Hong Kong and other jurisdictions

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and the common law of 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 established under statutes or judicial precedents in Hong Kong, the United States and other jurisdictions. Such differences may mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong, the United States or other jurisdictions. Please refer to the section headed “Summary of the Constitution of the Company and Cayman Companies Law” in Appendix IV to this prospectus.

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

This prospectus contains information and statistics, including but not limited to information and statistics relating to the PRC and the industry and markets. The information and statistics related to the industry and markets are derived from official government publications. None of the information or statistics derived from official government publications have been independently verified by us, or any of our affiliates or advisors, or by the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any other party involved in the Global Offering, or their respective affiliates or advisors. We cannot ensure the accuracy of information and statistics derived from official government publications, and information and statistics derived from official government publications may not be consistent with other information publicly available or available from other sources. Prospective investors should not place undue reliance on any information and statistics derived from official government publications contained in this prospectus.

Investors should read the entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media regarding the Group and/or the Global Offering

Prior to the publication of this prospectus, there has been press and media coverage regarding us, our Controlling Shareholders and the Global Offering, including but not limited to the Apple Daily, Ming Pao Daily News, Oriental Daily News and Hong Kong Economic Journal on 9 June 2009, iMoney and Economic Digest on 13 June 2009, and HK Daily News, Oriental Daily News, HK Economic Times, Metro, Headline Daily, am730, HK Economic Journal, Sing Pao Daily News, Wen Wei Po, Apple Daily, Ming Pao Daily News, The Sun, Sing Tao Daily, Ta Kung Pao, South China Morning Post and The Standard on 15 June 2009, which contained certain financial information, financial projections, valuations and other information about us. We wish to emphasize to potential investors that we have not authorized the disclosure of any financial information, financial projections, and other information about us in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent

RISK FACTORS

or conflicts with the information contained in this prospectus, we disclaim it. The information in the press coverage may not be accurate and we strongly caution prospective investors not to take such information into consideration in making their investment decisions. Accordingly, prospective investors should not rely on any such information. In making their investment decisions as to whether to purchase our Offer Shares, investors should rely only on the financial, operational and other information included in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would” and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. Purchasers and subscribers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

Due to a gap of up to five business days between pricing and trading of the Offer Shares and that our Offer Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of the Offer Shares could be lower than the Offer Price

The Offer Price will be determined on the Price Determination Date. However, our Offer Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be up to five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Offer Shares during such period, and thus are subject to the risk that the market price of our Offer Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Exchange Listing) Rules (Chapter 57IV of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. The Directors confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between us and the Joint Bookrunners (on behalf of the Underwriters). Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date.

If we and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Sunday, 28 June 2009, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus. No action has been taken to permit an offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalization Issue and any shares which fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share option Scheme or which may be granted under the Share Option Scheme. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by its principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong. Dealings in the Shares registered on our Hong Kong Share Registrar will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time (which will begin on the Listing Date, and is expected to expire on Saturday, 25 July 2009, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering), to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilization price is not permitted exceed the offer price.

In connection with the Global Offering, Morgan Stanley or its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may over-allocate Shares or effect transactions with

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on Morgan Stanley or its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of Morgan Stanley or its affiliates or any person acting for it. The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 105,000,000 Shares, which is 15% of the shares initially available under the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- Morgan Stanley or its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which Morgan Stanley or its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by Morgan Stanley or its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Saturday, 25 July 2009, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of our Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

For the purpose of covering any over-allocations, Morgan Stanley or its affiliates or any person acting for it, may borrow from Fortune Station up to 105,000,000 Shares, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between Morgan Stanley or its affiliates or any person acting for it, and Fortune Station on or about 26 June 2009. The loan of Shares by Fortune Station pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules, which restricts the disposal of Shares by the Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the requirements of Rule 10.07(3) of the Listing Rules:

- (i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- (ii) the maximum number of Shares which may be borrowed from Fortune Station must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Fortune Station or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;
- (iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Fortune Station by Morgan Stanley or its affiliates or any person acting for it, in relation to such Stock Borrowing Agreement.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

CURRENCY TRANSLATION

Unless otherwise specified, amounts denominated in RMB have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

RMB0.8818 : HK\$1.00

No representation is made that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
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<u>Name</u>	<u>Address</u>	<u>Nationality</u>
DIRECTORS		
<i>Executive Directors</i>		
CHEN Qiyuan (陳啟源)	House LA-70 Bai Xuan Jing Castle Hill Baiyun District Guangzhou 510440 PRC	Canadian
WAN Yuhua (萬玉華)	House LA-70 Bai Xuan Jing Castle Hill Baiyun District Guangzhou 510440 PRC	Canadian
SHEN Xiaodi (沈小笛)	Flat G, 18/F, Block 22 Ocean Vista, Phase 5 8 Laguna Verde Avenue Hung Hom Kowloon Hong Kong	Canadian
WONG Sin Yung (黃善榕)	Flat B, 11/F, Block 2 Laguna City Kwun Tong Kowloon Hong Kong	British
<i>Non-executive Director</i>		
GUO Jing (郭晶)	11380, No.1 Road Richmond British Columbia Canada V7E 1S5	Canadian
<i>Independent non-executive Directors</i>		
NGAI Wai Fung (魏偉峰)	26A Wah Shan Mansion 17 Tai Koo Shing Road Quarry Bay Hong Kong	Chinese
LI Bida (李必達)	Flat 502, Unit 2 Block 1, Shi Dai Fang Qun Fang Zhuang Feng Tai Beijing 100078 PRC	Chinese
CHEN Kaizhi (陳開枝)	Flat 501, Rear Block No. 29, Er Heng Road Dong Shan Xin He Pu Road Guangzhou 510080 PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
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PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Global Coordinators, Joint Bookrunners,
Joint Lead Managers and Joint Sponsors**
(in alphabetical order)

The Hongkong and Shanghai Banking
Corporation Limited
Level 15, HSBC Main Building
1 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
46th Floor
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Auditors and Reporting Accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong and United States law:
Herbert Smith
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

As to PRC law:
King & Wood
40th Floor, Office Tower,
Fortune Plaza
7 Dongshanhuan Zhonglu
Beijing 100020

As to Cayman Islands Law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisors to the Underwriters

As to Hong Kong and United States law:
Freshfields Bruckhaus Deringer
11/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
Room 606, 6F NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District,
Beijing 100022,
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
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Property Valuer

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Receiving Banker

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office in Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business and head office in the PRC	8 Huanan Beilu Baiyun District Guangzhou 510440 PRC
Place of business in Hong Kong registered under Part XI of the Companies Ordinance	Suite B, 12/F Ritz Plaza 122 Austin Road Tsimshatsui Kowloon Hong Kong
Company's website	www.bawang.com.cn <i>(The contents of the website do not form part of this prospectus)</i>
Company secretary	Wong Sin Yung, <i>CPA</i>
Authorized representatives	Wan Yuhua House LA-70, Bai Xuan Jing Castle Hill Baiyun District Guangzhou 510440 PRC Wong Sin Yung, <i>CPA</i> Flat B, 11/F, Block 2 Laguna City Kwun Tong Kowloon Hong Kong
Audit committee	Ngai Wai Fung, <i>CPA, ACCA, FCIS</i> (Chairman) Li Bida Chen Kaizhi
Remuneration committee	Wan Yuhua (Chairman) Li Bida Chen Kaizhi
Nomination committee	Wan Yuhua (Chairman) Li Bida Chen Kaizhi

CORPORATE INFORMATION

Cayman Islands principal share registrar and transfer office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance advisor

Kingsway Capital Limited
5th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Principal banker

Bank of China Limited
1073 Jichang Road
Guangzhou 510180
PRC

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, in part, from various official government publications. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor the Joint Global Coordinators, Sponsors or Underwriters, nor any of our or their respective affiliates or advisors, nor any party involved in this Global Offering have independently verified such information and statistics derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China. Unless otherwise indicated, all figures in this industry overview section are in nominal terms.

SOURCES OF INFORMATION

Economist Intelligence Unit

Economist Intelligence Unit is a global provider of country, industry and management analysis. Economist Intelligence Unit is an independent third-party of the Company. The information disclosed in this prospectus from Economist Intelligence Unit is extracted from reports not commissioned by the Company or the Joint Sponsors and was prepared in the ordinary course of business of Economist Intelligence Unit.

Euromonitor

The Company commissioned Euromonitor as an independent third-party to conduct a market analysis of, and produce a report on, the (i) shampoo, (ii) Chinese herbal shampoo and (iii) Chinese herbal hair-care markets in the PRC (the “**Research Report**”) covering various periods ranging from 2002 to the first half of 2008 and estimates from 2008 to 2012. In addition to relying on the market data, forecasts and other relevant information from the Research Report in this Industry Overview section, the Company also relied on existing data from Euromonitor’s database in the, (i) hair-care and (ii) skin-care markets in the PRC (the “**Syndicated Data**”) covering periods ranging from 2002 to 2007 and estimates from 2008 to 2012. The contractual amount for the Research Report and Syndicated Data provided by Euromonitor is RMB252,206. The payment of such amount was not contingent upon our successful Listing or on any of the results provided within the Research Report. Except for the Research Report, the Company did not commission any other customized reports.

The methodology used by Euromonitor in creating the market data and Syndicated Data consists of (i) combining their existing research data with information gathered from published secondary sources (such as company websites, trade associations, trade press, and national statistics), (ii) information gained from visits to certain targeted retailers, and (iii) interviews with certain targeted shampoo and herbal shampoo manufacturers, distributors and retailers. The aforementioned data gathered by Euromonitor is analyzed for reasonableness and such data is incorporated in their modeling to build forecasts in the Research Report and Syndicated Data. Forecasts are further assessed at multiple levels within Euromonitor and assumptions used to make such forecasts are evaluated for reasonableness with due reference with the supporting data, and micro and macro economic trends, among other factors. Euromonitor also seeks to gain consensus with industry representatives who contribute their opinion on how the market is likely to develop. Euromonitor’s forecasts therefore are not based on a statistical model nor are they straight-line forecasts. Rather, Euromonitor bases its forecasts on informed, common-sense and consensual estimates gained from various sources mentioned above.

INDUSTRY OVERVIEW

In creating the market data, Euromonitor took into account the following non-exhaustive list of factors:

Macro economic parameters

- Demographic trends
- Economic growth
- Legislative changes
- Taxation changes
- Social/lifestyle changes

Micro economic parameters

- Product life cycle
- New product development
- Competitive environment
- Evolving consumer attitudes
- Distribution trends

In creating the market data, Euromonitor took into account the following non-exhaustive list of assumptions:

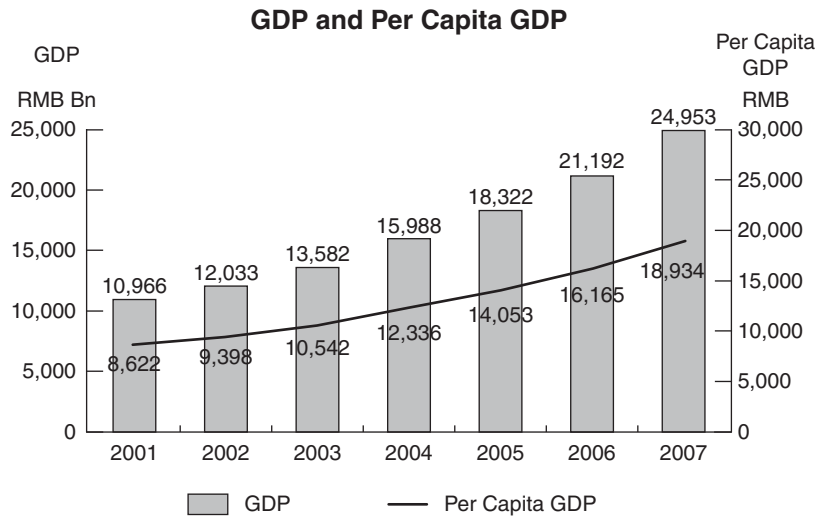
- Hair care is a daily necessity and thus, volume consumption will not significantly decrease due to the economic downturn. However, 2008 volume growth should still be lower compared to 2007.
- Due to the economic downturn the hair-care industry is expected to further consolidate.
- Sales of shampoo and hair-care products increased in the first half of 2008, however, for the second half of 2008, some brands' sales shrank, especially those local brands from Guangdong province in the PRC.
- Throughout 2008, leading manufacturers maintained to achieved stable growth.
- The market will witness a continuing trend of consumers switching from 2-in-1 shampoo and conditioner products to separate shampoo and conditioner products, thereby contributing to strong growth of separate shampoo and conditioner products.
- Hair-care and shampoo products experienced significant price hikes during the first half of 2008 however, with overall inflation dropping and the economic slowdown, price increases will likely stop. It is anticipated that there will be more price discounts and launching of lower priced products to attract price sensitive consumers.

The information extracted from Euromonitor's reports and used herein, including from the Research Report and Syndicated Data, reflects estimates of market conditions based on targeted interviews with product manufacturers, distributors, and retailers to obtain industry opinion and perspectives, and is prepared primarily as a marketing research tool for consumer packaged goods manufacturers and others in the consumer goods industry. Euromonitor disclaims liability for the use of any of the information extracted from its reports and disclosed herein as a basis for making (or not making) an investment in the Company. Consequently, references to Euromonitor should not be considered as Euromonitor's opinion as the value of any security on the advisability of investing (or not investing) in the Company.

INDUSTRY OVERVIEW

OVERVIEW OF THE PRC ECONOMY

Since the introduction of economic reforms by the PRC government in the late 1970's, the PRC economy has grown significantly. According to the National Bureau of Statistics of China, from 2001 to 2007, the PRC's nominal Gross Domestic Product ("GDP") grew from RMB11.0 trillion to RMB25.0 trillion, representing a CAGR of 14.7%. According to the Economist Intelligence Unit, the PRC's nominal GDP is projected to further increase to RMB36.1 trillion in 2010⁽¹⁾. The following chart sets forth the PRC's nominal GDP and per capita GDP from 2001 to 2007.



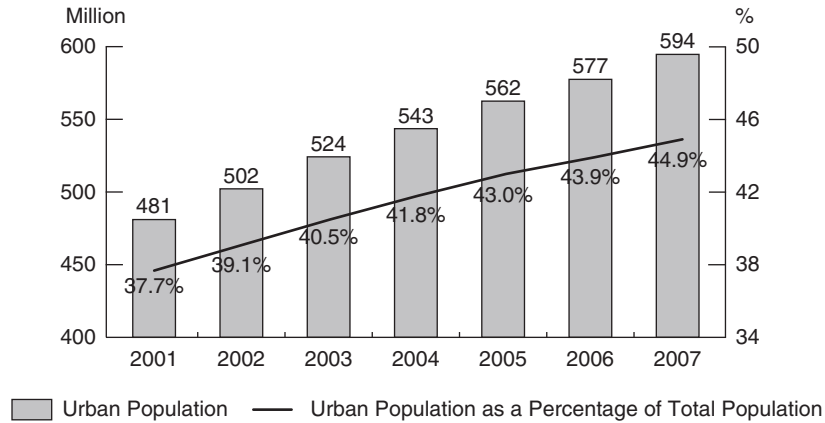
Source: National Bureau of Statistics of China

Note: (1) Based on data published by the Economist Intelligence Unit ("EIU") in December 2008. As disclosed on its website, the EIU, founded in 1946, is a global provider of country, industry and management analysis and is a leading research and advisory firm with more than 40 offices worldwide, and is a specialist publisher serving companies establishing and managing operations across national borders and provides forecast on more than 200 countries and certain industries. For further information regarding EIU, please go to their website at www.eiu.com.

INDUSTRY OVERVIEW

The PRC's economic growth has been accompanied by rapid urbanization. The total urban population in the PRC increased from 481 million as of the end of 2001 to 594 million as of the end of 2007, representing an increase of 23.5% over this six year period. During the same period, the urban population as a percentage of the total population increased from 37.7% to 44.9%. The chart below sets forth the total urban population and the urban population as a percentage of the total population in the PRC as of the end of the periods indicated.

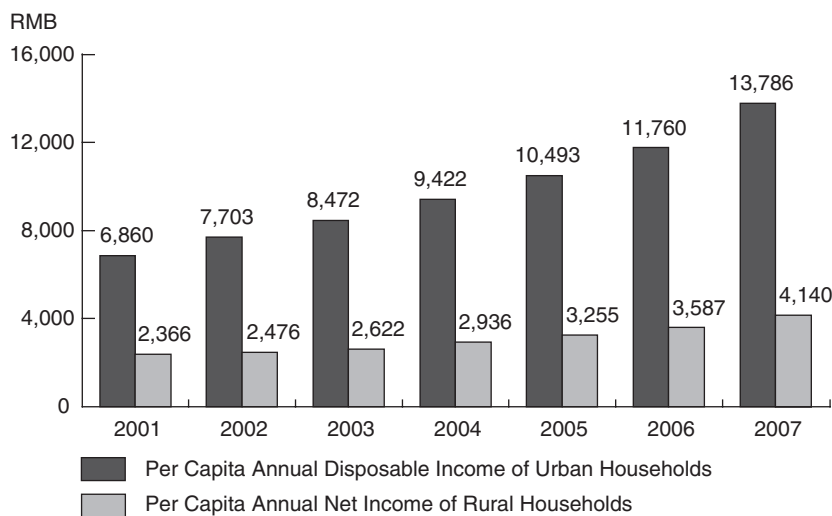
Absolute and Relative Growth of Urban Population in the PRC



Source: National Bureau of Statistics of China

Personal income in the PRC has been increasing with economic growth and rapid urbanization. According to National Bureau of Statistics of China, during the period from 2001 to 2007, the per capita annual disposable income of urban households in the PRC increased from RMB6,860 to RMB13,786, representing a CAGR of 12.3% over this six year period, while over the same period the per capita annual net income of rural households increased from RMB2,366 to RMB4,140, representing a CAGR of 9.8%. The following chart sets forth the per capita annual disposable income of urban households and the per capita annual net income of rural households in the PRC from 2001 to 2007.

Per Capita Income Growth of Urban and Rural Households

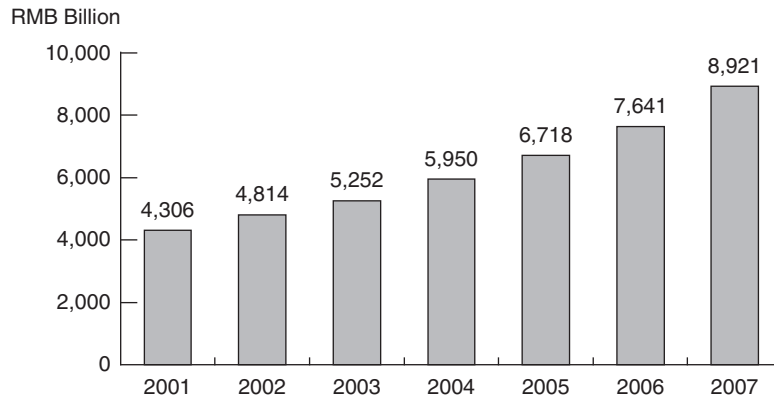


Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

It is believed that China's increasing urbanization and the higher per capita annual disposable income of all households have contributed to the rapid growth in demand for consumer products in the PRC. Retail sales of consumer goods in the PRC increased from RMB4.3 trillion in 2001 to RMB8.9 trillion in 2007, representing a CAGR of 12.9% over this six year period. The chart below sets forth the total retail sales value of consumer goods in the PRC for each of the years indicated.

Total Retail Sales of Consumer Goods

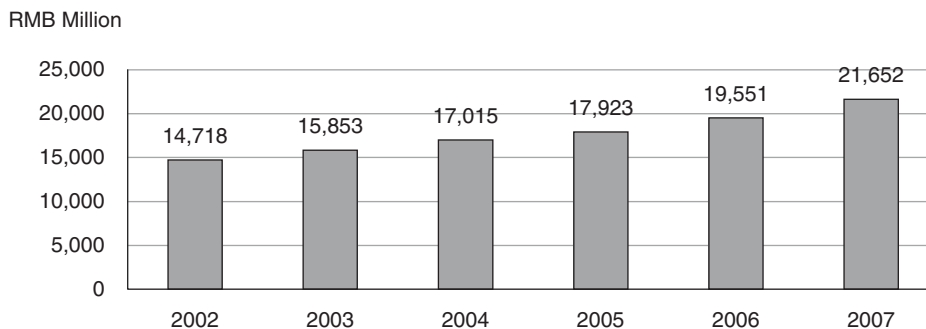


Source: National Bureau of Statistics of China

THE HAIR-CARE MARKET IN THE PRC

The hair-care market in the PRC has experienced stable growth in recent years due to the population's gradual change in hair washing habits and increased demand for hair beauty products, according to Euromonitor⁽¹⁾. With growing urbanization and rising disposable incomes, consumers have become more concerned about their personal appearance thereby significantly increasing their use of personal care products such as shampoo. In addition, consumers have increasingly focused more on the functions and health benefits of such products. Manufacturers of personal care products with tailored functionalities have seen greater demand, according to Euromonitor. The historical retail sales value of the total PRC hair-care market from 2002 to 2007 grew at a CAGR of 8.0%. It is expected that the overall hair-care market will grow at a CAGR of 10.1% from 2007 to 2012, with an estimated market size of RMB35.1 billion, according to Euromonitor .

Retail Sales of Hair-care Products in the PRC



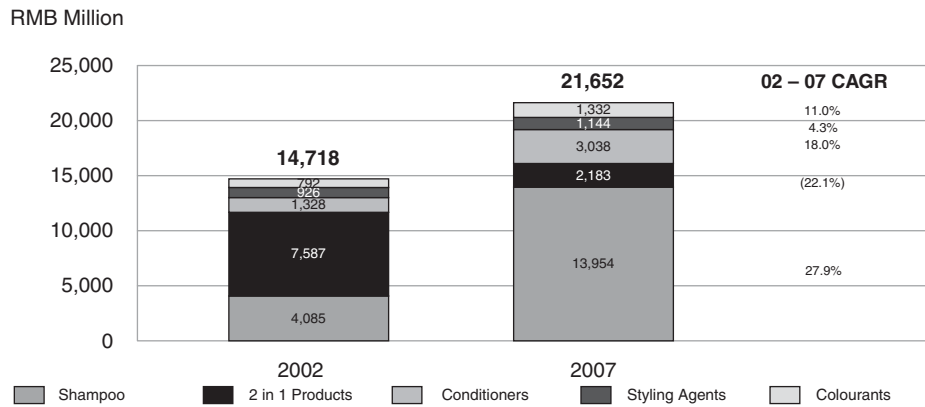
Source: Euromonitor

Note: (1) Based on data provided by Euromonitor in February 2009. As disclosed on its website, founded in 1972, Euromonitor is a privately owned company, with offices in London, Chicago, Singapore, Shanghai and Vilnius, and is a leading independent provider of business intelligence on industries, countries and consumers. Its products include online information, databases, market reports and business reference books. For further information regarding Euromonitor, please go to their website at www.euromonitor.com.

INDUSTRY OVERVIEW

Among various hair-care products, shampoo accounted for the largest share in hair-care retail sales in 2007, compared with other hair-care products such as 2-in-1 products, conditioners, styling agents, and colorants. As shown in the chart below, the shampoo segment has exhibited much faster growth than the overall hair-care market, retail sales of shampoo products have increased at a CAGR of 27.9% from 2002 to 2007.

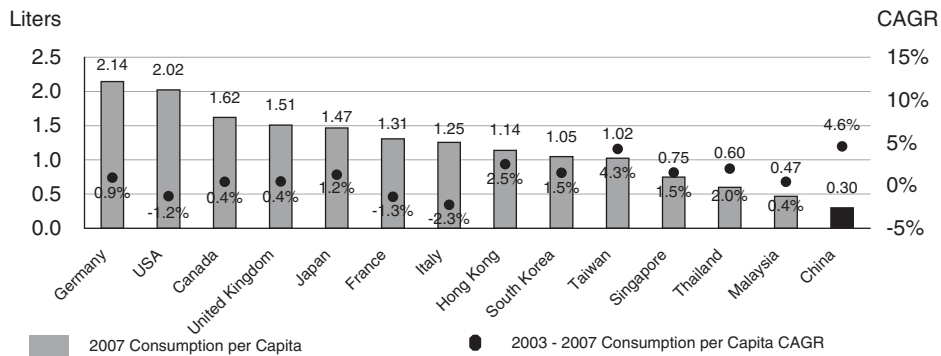
Retail Sales by Product Type within the Hair-care Category in 2002 and 2007



Source: Euromonitor

Despite the significant growth in the past few years, the PRC's hair-care market remains relatively under-developed when compared to developed countries. The average hair-care products consumption per capita in China in 2007 was only 0.30 liters per year, much lower than developed Western and Asian countries, as shown in the chart below.

Hair-care Products Consumption⁽¹⁾ Per Capita of Selected Countries



Source: Euromonitor

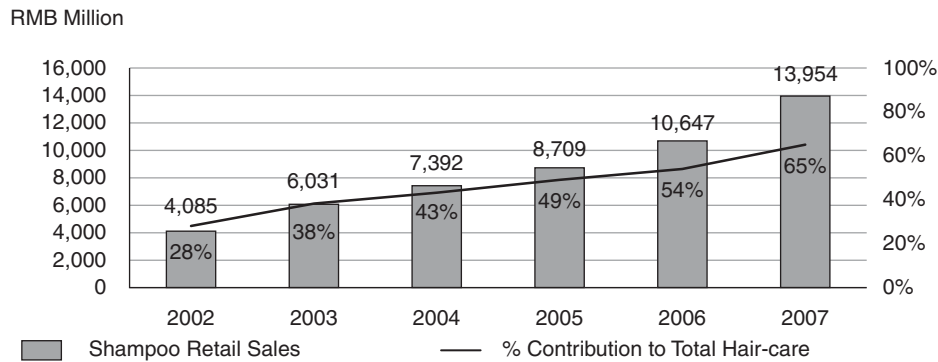
Note: (1) Hair-care products consumption excluding colorants product. Data provided by Euromonitor in April 2009

INDUSTRY OVERVIEW

The Shampoo Market in the PRC

The PRC shampoo market has expanded rapidly in recent years. The same reasons for robust growth in the PRC hair-care market apply and include: increased urbanization, rising income, greater concern for personal appearance and increased awareness and focus on health. The following chart sets forth the annual sales value of shampoo products and the movement of its contribution to the overall hair-care market from 2002 to 2007.

Retail Sales of Shampoo Products in the PRC



Source: Euromonitor

According to Euromonitor⁽¹⁾, the retail sales value of shampoo products increased from RMB4,085 million in 2002 to RMB13,954 million in 2007, representing an overall CAGR of 82.1% over this five year period. Likewise the volume of shampoo retail sales increased from 82.0 million liters in 2002 to 275.0 million liters in 2007, representing a CAGR of 27.4% over the same period. As such, shampoo retail sales growth, in terms of both value and volume has exceeded, over the past five years, the growth rates of GDP, retail sales of consumer goods, and retail sales of all other hair-care products. As a result, the proportion of shampoo products within the hair-care category has increased from 27.8% in 2002 to 64.5% in 2007 and it has become the dominant product type within the category. According to Euromonitor, retail sales of shampoo products in the PRC are expected to continue to increase at a CAGR of 11.8% from 2007 to 2012⁽²⁾.

Similar to the hair-care market in the PRC, the average shampoo consumption per capita in the PRC in 2007 was only 0.21 liters, much lower than developed Western and Asian countries.

Notes: (1) Based on data provided by Euromonitor in February 2009

(2) Based on data provided by Euromonitor in February 2009

INDUSTRY OVERVIEW

According to Euromonitor, multinational hair-care brands have a significant share of the PRC's shampoo market, accounting for over 50% of all shampoo retail sales in 2006, 2007 and the first half of 2008. Although multinational players have a combined leading market share, premium domestic brands such as Bawang have been catching up, gaining market shares faster than their global peers. The following table shows the market shares of top shampoo brands in the PRC and their movements from 2005 to the first half of 2008.

Market Shares of the Top 10 Shampoo Brands in the PRC⁽¹⁾

<u>Brand</u>	<u>Company</u>	<u>International/Domestic</u>	<u>% Retail Value</u>				<u>1H08 vs. 05</u>
			<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>1H2008</u>	<u>Net Difference (%)</u>
Rejoice	Procter & Gamble	International	15.1	16.0	16.7	16.0	0.9
Head & Shoulders	Procter & Gamble	International	12.0	14.3	12.5	12.6	0.6
Pantene	Procter & Gamble	International	8.5	9.0	8.4	8.6	0.1
Bawang	Bawang	Domestic	0.7	3.2	6.2	7.6	6.9
Slek	C-Bons	International	6.4	5.2	5.7	5.5	-0.9
Lux	Unilever	International	6.0	5.6	5.0	5.1	-0.9
Lafang	La Fang	Domestic	6.0	6.2	5.3	4.2	-1.8
Hazeline	Unilever	International	5.0	5.3	3.9	3.8	-1.2
Satinique	Amway	International	5.2	3.5	3.0	3.2	-2.0
Hair Song	C-Bons	International	1.9	1.5	2.3	2.2	0.3
Total			66.8	69.9	69.0	68.7	1.9

Source: Euromonitor

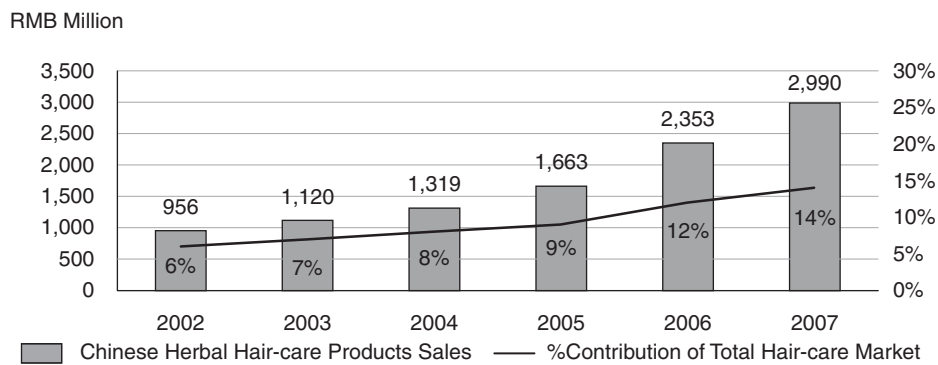
Note: (1) Top 10 brands based on 2007 and 1H2008 market shares by Euromonitor in February 2009

INDUSTRY OVERVIEW

THE CHINESE HERBAL HAIR-CARE MARKET IN THE PRC

The Chinese herbal hair-care market in the PRC has experienced robust growth in the recent years. Similar to the overall hair-care market, the major factors contributing to the growth of the Chinese herbal hair-care market are the growing urbanization, rising income and greater concern for personal appearance. In addition, market-specific factors driving growth include consumers' increasing emphasis on health consciousness and pursuit of natural and healthy products. According to Euromonitor⁽¹⁾, the historical retail sales of the Chinese herbal hair-care products increased from RMB956 million in 2002 to RMB2,990 million in 2007, representing a CAGR of 25.6% and is projected to grow at a CAGR of 12.9% from 2007 to 2012. The following chart sets forth the annual sales value of Chinese herbal hair-care products and the movement of its contribution to the overall hair-care market from 2002 to 2007.

Retail Sales of Chinese Herbal Hair-care Products in the PRC



Source: Euromonitor

We believe that the PRC's Chinese herbal hair-care market is characterized by consumers' increasing health consciousness which has led to and would likely to continue to lead to a higher growth rate in such market as compared to the growth rate of the overall hair-care market. According to Euromonitor, the annual retail sales of Chinese herbal hair-care as a percentage of the overall hair-care market increased from approximately 6% in 2002 to approximately 14% in 2007.

Note: (1) Based on data provided by Euromonitor in February 2009

INDUSTRY OVERVIEW

The table below sets forth the rankings of the top brands of Chinese herbal hair-care products in the PRC and their respective market share movements from 2005 to the first half of 2008.

Market Shares of the Top 10 Brands of Chinese Herbal Hair-care Products in the PRC⁽¹⁾

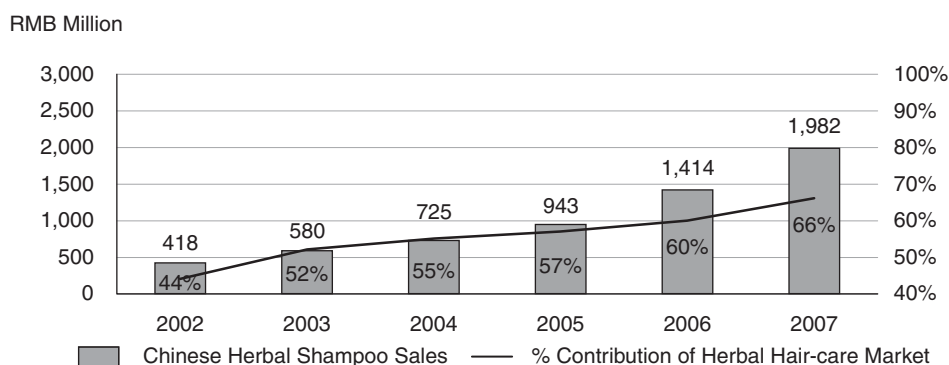
Brand	Company	International/Domestic	2005	2006	2007	1H2008	1H08 vs. 05
			% Retail Value				Net Difference (%)
Bawang	Bawang	Domestic	4.2	17.3	34.4	36.4	32.2
Kangwang	Dihon	Domestic	5.4	8.8	11.8	12.4	7.0
Rejoice	Procter & Gamble	International	11.1	8.9	8.6	8.4	-2.7
Softto	Softto	Domestic	11.5	8.7	7.2	7.2	-4.3
Pantene	Procter & Gamble	International	4.3	3.6	3.2	3.0	-1.3
Hazeline	Unilever	International	4.0	3.5	2.8	2.6	-1.4
Head & Shoulders	Procter & Gamble	International	2.6	2.5	2.2	2.2	-0.4
Lafang	La Fang	Domestic	2.3	2.3	1.9	1.8	-0.5
Ausnow	Ausnow	Domestic	—	0.7	0.8	0.9	0.9
Longliqi	Longliqi	Domestic	—	0.6	0.8	0.9	0.9
Total			45.4	56.9	73.7	75.8	30.4

The Chinese Herbal Shampoo⁽²⁾ Market in the PRC

The Chinese herbal shampoo market in the PRC has grown significantly in recent years. According to Euromonitor⁽³⁾, annual retail sales of Chinese herbal shampoo products in China increased from RMB418 million in 2002 to RMB1,982 million in 2007, representing a CAGR of 36.5% which outpaced the CAGR of the overall Chinese herbal hair-care products retail sales over the past five years. Retail sales are expected to continue to grow at a CAGR of 14.7% from 2007 to 2012, according to Euromonitor⁽³⁾.

Furthermore, within the Chinese herbal hair-care category, Chinese herbal shampoo is the dominant product type, with its contribution having increased from 43.7% in 2002 to 66.3% in 2007 in terms of retail sales, according to Euromonitor. The following chart sets forth the retail size of the Chinese herbal shampoo market and its contribution to the overall Chinese herbal hair-care market.

Retail Sales of Chinese Herbal Shampoo Products in the PRC



Source: Euromonitor

Notes: (1) Top 10 brands based on 2007 and 1H2008 market share by Euromonitor in February 2009

(2) Chinese herbal shampoo is defined as shampoo containing any type of natural ingredients of Chinese herbs

(3) Based on data provided by Euromonitor in February 2009

INDUSTRY OVERVIEW

With the increasing emphasis on health consciousness, many multinational hair-care companies have launched new products with herbal ingredients, thereby intensifying the competition in Chinese herbal shampoo market. Nevertheless, domestic brands such as Bawang and those with traditional Chinese herbal ingredients, have been able to attract Chinese consumers in recent years.

A few leading brands have dominated the Chinese herbal shampoo market in the PRC. According to Euromonitor, the combined market share of the top 10 brands of Chinese herbal shampoo by retail sales reached approximately 94.8% in the first half of 2008. In this niche market, domestic PRC brands have obtained a leading position over their international peers, among which the Bawang brand has become the clear market leader with approximately 46.3% of the total Chinese herbal shampoo market in terms of retail sales in the first half of 2008. The table below sets forth the ranking of the top brands of Chinese herbal shampoo in the PRC and their respective market share movements from 2005 to the first half of 2008.

Market Shares of the Top 10 Brands of Chinese Herbal Shampoo in the PRC⁽¹⁾

Brand	Company	International/Domestic	2005	2006	2007	1H2008	1H08 vs. 05
			% Retail Value				Net Difference (%)
Bawang	Bawang	Domestic	6.3	24.3	43.5	46.3	40.0
Kangwang	Dihon	Domestic	6.9	11.6	16.3	17.2	10.3
Rejoice	Procter & Gamble	International	14.2	11.1	11.3	11.1	-3.1
Softto	Softto	Domestic	16.3	13.9	10.1	7.2	-9.1
Pantene	Procter & Gamble	International	5.3	4.5	4.1	3.9	-1.4
Hazeline	Unilever	International	4.9	4.3	3.6	3.3	-1.6
Head & Shoulders	Procter & Gamble	International	3.2	3.1	2.9	2.8	-0.4
Longliqi	Longliqi	Domestic	—	0.9	1.0	1.2	1.2
Ausnow	Ausnow	Domestic	—	0.6	0.8	0.9	0.9
Zhangguang101	Zhangguang 101	Domestic	0.6	0.7	0.7	0.8	0.2
Total			57.7	74.9	94.3	94.8	37.1

Source: Euromonitor

Manufacturers of Chinese herbal shampoo compete on various areas beyond price. In particular, brand image, effectiveness of advertizing and promotional activities are important in maintaining or increasing market share.

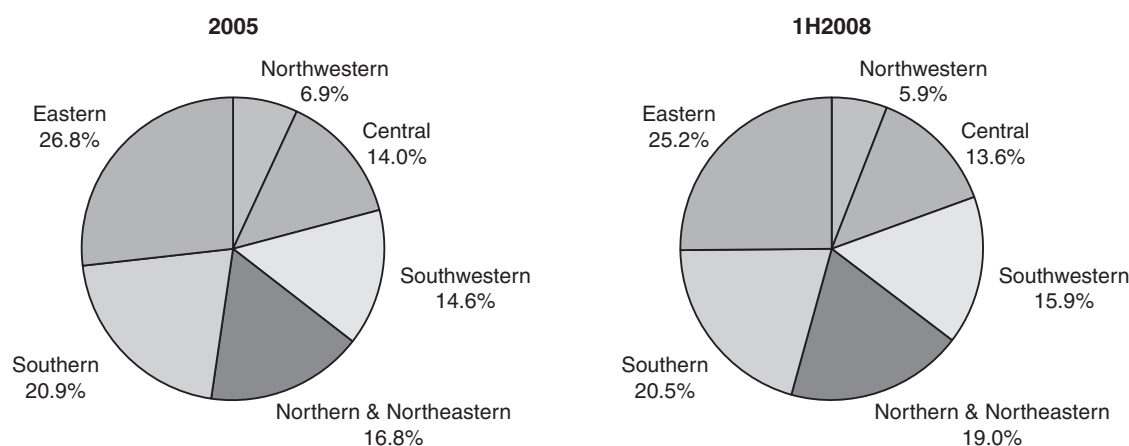
Note: (1) Top 10 brands based on 2007 and 1H2008 market shares by Euromonitor in February 2009

INDUSTRY OVERVIEW

Market Share by Region in the PRC

According to Euromonitor, the retail sales of Chinese herbal shampoo products by region in the PRC show a similar trend as the national level. In the first half of 2008, for all the regions in the PRC, Bawang had the highest market share in terms of retail sales, followed by Kangwang, Rejoice, Softto and Pantene. The following chart and table set forth the retail sales of the Chinese herbal shampoo market by region in 2005 and the first half of 2008 and the market shares of its major brands.

Retail Sales of Chinese Herbal Shampoo Products at Regional Level⁽¹⁾:



Total Retail Sales in 2005: RMB 943 million

Total Retail Sales in 1H2008: RMB 1,047 million

Source: Euromonitor

Major Brands of Chinese Herbal Shampoo and Market Shares by Region:

Brand	Southern		Eastern		Northern & Northeastern		Central		Southwestern		Northwestern	
	2005 %	1H2008 %	2005 %	1H2008 %	2005 %	1H2008 %	2005 %	1H2008 %	2005 %	1H2008 %	2005 %	1H2008 %
Bawang	6.6	48.6	6.1	45.1	6.0	43.9	6.3	46.7	6.4	46.9	6.5	47.9
Kangwang	5.8	14.5	6.7	16.6	7.1	17.5	6.9	17.1	9.5	22.7	5.6	13.8
Rejoice	14.6	11.4	15.4	12.0	13.2	10.3	15.1	11.8	12.3	9.8	13.2	10.3
Softto	22.5	10.5	21.4	9.5	10.5	4.7	10.3	4.6	12.2	5.3	13.0	5.8
Pantene	5.6	4.2	5.9	4.5	4.6	3.4	4.8	3.6	4.9	3.8	5.2	3.9
Total	55.1	89.2	55.5	87.7	41.4	79.8	43.4	83.8	45.3	88.5	43.5	81.7

Source: Euromonitor

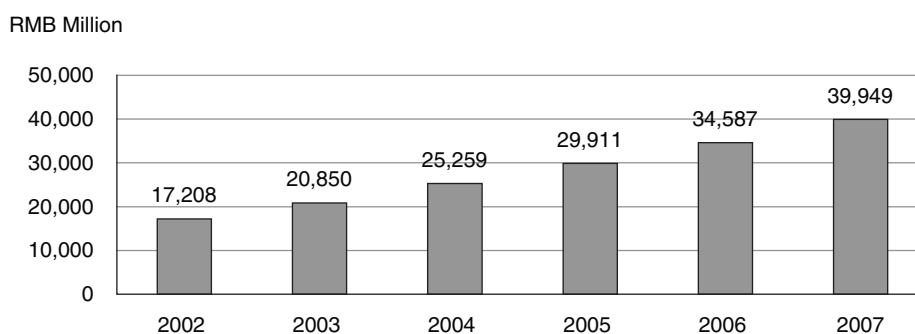
Note: (1) Eastern region includes Shanghai, Jiangsu, Zhejiang, Anhui and Shandong
 Southern region includes Guangdong, Guangxi, Fujian and Hainan
 Northern & Northeastern region includes Beijing, Tianjin, Hebei, Shanxi, Heilongjiang, Jilin and Liaoning
 Southwestern region includes Sichuan, Guizhou, Tibet, Yunnan and Chongqing
 Central region includes Hubei, Hunan, Henan and Jiangxi
 Northwestern region includes Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang and Inner Mongolia

INDUSTRY OVERVIEW

THE SKIN-CARE MARKET IN THE PRC

Similar to the hair-care market, China's skin-care market has also experienced significant growth due to increased urbanization, rising income, greater concern for personal appearance and increased awareness and focus on health. In particular, women in China are becoming more conscious of their own personal appearance and have increased spending on skin-care products. Retail sales of skin-care products in China have grown at a CAGR of 18.3% from 2002 to 2007 and are projected to grow at a CAGR of 12.1% from 2007 to 2012, with an estimated market size of RMB70.9 billion, according to Euromonitor⁽¹⁾. The following chart illustrates the historical retail sales value of the total skin-care market.

Retail Sales of Skin-care Products in the PRC



Source: Euromonitor

RAW MATERIALS

Due to the diversified offering of products of the Company, the Company had used a variety of raw materials that have changed from time to time during the Track Record Period. Our raw materials primarily comprise of Chinese herbs such as polygonum (首烏), ginseng (人參), Chinese honeylocust (皂角), Chinese arborvitae (側柏葉) and euphorbia hirta (飛揚草), surfactant, coconut oil and fragrance. Please refer to "Financial Information" section of this prospectus for details of the Company's raw material costs and its trend of such costs over the Track Record Period.

Note: (1) Based on data provided by Euromonitor in June 2008

REGULATIONS

PRC Wholly Foreign-owned Enterprises Law and its Implementation Regulation (外資企業法及其實施細則)

According to the PRC Law on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法), which was promulgated on 12 April 1986 by the National People's Congress and amended on 31 October 2000 by the Standing Committee of the National People's Congress, the investments, the profits, and other lawful rights and interests of a foreign investor are protected in the PRC. A foreign investor may remit abroad profits and other legal earnings from a wholly foreign-owned enterprise, as well as any remaining funds when the enterprise is liquidated.

According to the Implementation Rules on the PRC Law on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 by the Ministry of Foreign Trade and Economic Cooperation and amended on 12 April 2001 by the State Council of the PRC, the articles of association of a wholly foreign-owned enterprise shall become effective upon the approval by the examining and approving authority and the same procedures shall apply whenever any amendments thereto are made. Any division, merger, or any significant change in the registered capital of a wholly foreign-owned enterprise shall be subject to approval by the examining and approving authority. The enterprise shall engage a PRC qualified auditor for a capital verification report. Upon approval by the examining and approving authority, registration shall be made with the Administrative Bureau for Industry and Commerce. Any increase or transfer of the registered capital of a wholly foreign-owned enterprise shall be subject to approval by the examining and approving authority. The wholly foreign-owned enterprise shall, in accordance with PRC laws and regulations and provisions of the financial authority, set up its own financial and accounting systems and submit them to the local financial and tax authorities for their records.

PRC Regulations relating to Production License of Industrial Products and Implementation Procedures (工業產品生產許可證規定及實施辦法)

The PRC Administrative Rules on Production License of Industrial Products (國務院中華人民共和國工業產品生產許可證管理條例), which was promulgated on 9 July 2005 by the State Council of the PRC and became effective on 1 September 2005, provides that a production licensing system be implemented for enterprises engaging in the production of important industrial products listed in the Catalogue for Industrial Products Implementing Products Licensing System of Industrial Products (the “**Catalogue**”) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine (the “**AQSI**”). Our hair-care products and skin-care products are categorized as industrial products in the Catalogue. No enterprise or individual may produce, sell, or use the products in the Catalogue without obtaining a production license for industrial products (the “**Production License**”). To obtain a Production License, an enterprise must have a business license, professional technical personnel, production conditions and inspection and quarantine measures, technology, skills and documents regarding production of its process that are commensurate with the product, and a sound and effective system for quality administration. The products of the enterprise shall also comply with state standards, industrial standards and requirements for protection of health, personal life, and property security. The enterprise may not use outdated skills and processes, carry out productions which may result in high energy consumption, environmental pollution, or waste resources.

The Implementation Procedures of the PRC Administrative Rules on Production Licenses of Industrial Products (中華人民共和國工業產品生產許可證管理條例實施辦法), which was promulgated on 15 September 2005 by AQSI and became effective on 1 November 2005, provides the application procedures for the use of products under the administration of the production licensing system for industrial products within the PRC. The enterprise shall submit an application to the local administration of quality supervision, inspection and quarantine for the production of the products that are included in the Catalogue. An administrative licensing application decision will be made within five days of receipt of the application documents of the applicant. A decision on whether to grant the license shall be made by AQSI within 60 days of acceptance of the application and the production licensing certificate which is valid for five years shall be issued within 10 days of a decision. The

REGULATIONS

entrustment agreement of processing of products under the administration of production licensing system for industrial products shall be submitted to the local administration of quality supervision, inspection and quarantine for filing.

PRC Regulations on Hygiene Supervision, Advertisement and Labeling of Cosmetics (化妝品衛生監督、廣告及標識管理規定)

The Regulations on the Supervision of Hygiene of Cosmetics (化妝品衛生監督條例), which was promulgated on 13 November 1989 by the Ministry of Health and became effective on 1 January 1999, provides that a hygiene licensing system is implemented for enterprises engaging in the production of cosmetics. The Cosmetic Production Enterprise Hygiene License shall be approved and issued by the hygiene administration authority at the provincial level and will be valid for four years and checked every two years. To produce cosmetics for special use, a production enterprise shall be approved by the State Administration of Foods and Drugs and obtain a number of approvals before it commences production.

The Administrative Rules on the Advertisement of Cosmetics (化妝品廣告管理辦法), which was promulgated on 13 July 1993 by the State Administration for Industry and Commerce and became effective on 1 October 1993, provides that the advertisement of cosmetics shall not contain prohibited contents such as false and misleading statements, exaggerating effects of the products and debasement of competitors' products. The local branch of the State Administration for Industry and Commerce shall have the right to prohibit such an advertisement and impose a fine if the advertisements contains the prohibited contents.

The Administrative Provisions on Cosmetics Labeling (化妝品標識管理規定), which was promulgated on 27 August 2007 by the AQSIQ and became effective on 1 September 2008, which requires labels of cosmetic products to contain information such as origin, requirements, name and address of the producer, date of production, expiry date, batch number, applicable industrial or state standards, quality inspection certificate, and product license number. According to the regulation, the label of a cosmetic product shall not claim or imply that the cosmetic product has any medical or therapeutic effects, and shall not exaggerate the function of product.

PRC Law for the Safety of Production (安全生產法)

According to the Law for the Safety of Production (安全生產法) which was promulgated on 29 June 2002 by the Standing Committee of the National People's Congress and became effective on 1 November 2002, companies carrying out production activities shall have safe production conditions as required by relevant laws and regulations. Companies having more than 300 employees shall form a management department to carry out the functions of production safety or appoint personnel solely responsible for production safety. Companies shall display warning signs at the location and on equipment with high potential risks. Companies shall purchase job-related injury insurance according to relevant laws and regulations.

PRC Environmental Protection Law and relevant Regulations (環境保護法及相關規定)

The Environmental Protection Law (環境保護法) was promulgated by the Standing Committee of the National People's Congress and became effective on 26 December 1989. The law sets out the legal framework for environmental protection in the PRC. The underlying principle of the environmental protection law is to protect and improve the living and ecological environment, pollution and human health. Facilities for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. Facilities for the prevention and control of pollution shall not be dismantled or left idle without approval. Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council. The importation of any technology or facility that fails to meet the requirements specified in the regulations of our country concerning environmental protection shall not be imported.

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The Law on the Prevention and Control of Water Pollution (水污染防治法), which was promulgated on 11 May 1984 by the Standing Committee of the National People's Congress and amended on 15 May 1996, and which was further amended on 28 February 2008, established the standards for the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs, other surface water, and underground water. New construction projects, projects under expansion or reconstruction, and other projects which may directly or indirectly discharge pollutants into water bodies shall be subject to such law. Facilities for the prevention and control of water pollution at a construction project must be designed, built and commissioned together with the principal part of the project. Enterprises directly or indirectly discharging polluted water into water bodies shall obtain a permit for the discharge of polluted water. Enterprises discharging pollutants directly or indirectly into a water body shall, pursuant to the regulations of the environmental protection department under the State Council, report to and register with the local environmental protection department their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operating conditions, and also provide to the same department technical information concerning prevention and control of water pollution.

The Administrative Rules on the Environmental Protection of Construction Projects (建設項目環境保護管理條例) which was promulgated by the State Council of the PRC and became effective on 29 November 1998, provides that the environmental impact assessments ("EIA") must be carried out by qualified institutions for the construction projects. The environmental impact report, the form of environmental impact report or a registration form must be submitted to competent authorities for environmental protection for approval.

If the construction project is expected to have a major impact on the environment, an environmental impact report is required. The environmental impact report must contain complete and detailed assessment of the pollution which may be caused by the construction project and its impact on the environment.

If the construction project is expected to have a minor impact on the environment, a form of environment impact report is required.

If the construction project is expected to have minimal impact on the environment, a registration form is required.

PRC Anti-Unfair Competition Law (反不正當競爭法)

The PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法), which was promulgated by the Standing Committee of the National People's Congress and became effective on 1 December 1993, provides that market-players shall abide by the principle of voluntariness, equality, impartiality, honesty and good faith. Market-players shall also adhere to public commercial morals in their business transactions. The market-players shall not engage in any unfair competition activities which include but may not be limited to:

- (1) feigning another's registered trademarks;
- (2) using the name, package, decoration of famous or noted commodities, or using a name, package or decoration similar to that of famous or noted commodities, which may confuse consumers in distinguishing the commodities from famous or noted commodities;
- (3) using the name of another enterprise or individual which may confuse consumers in distinguishing the commodity from the other's commodities;
- (4) feigning or pretending to be the certificate of attestation, mark of fame and high qualification, feigning the certificate of originally produced place of the commodities; which may cause consumers to misunderstand the qualification of the commodities due to false certificates;

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- (5) infringing another's intellectual property rights; and
- (6) fabricating and spreading false facts which may damage the business reputation or commodity fame of its competitors.

Foreign Exchange Registration (外匯登記)

According to the Notice on Issues Relating to Foreign Exchange Control on Fundraising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments (the “**No. 75 Notice**”) (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) promulgated on 21 October 2005 by SAFE, domestic resident natural persons or domestic resident legal persons are required to register with the competent local branch of SAFE before they establish or control any offshore special purpose vehicles for capital raising with the assets or equity interest of PRC domestic companies owned by them. According to the No. 75 Notice, resident natural persons include those individuals who have PRC citizenship or other domestic legal status and those “individuals who does not have any domestic legal status in the PRC but reside in the PRC habitually for the purpose of economic interests”. In accordance with the Notice of the General Affairs Department of the State Administration of Foreign Exchange on Printing and Distributing the Operating Rules for the Notice of the State Administration of Foreign Exchange on the Relevant Issues about Foreign Exchange Control over the Financing and Return Investment of Domestic Residents through Overseas Special Purpose Companies (Hui Zong Fa [2007] No.106) (國家外匯管理局總公司關於印發《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作過程的通知 (匯綜發[2007]106號)) promulgated on 29 May 2007 by SAFE, “the individual who does not have domestic legal status in the PRC but resides in the PRC habitually for the purpose of economic interests” mainly include the following (no matter whether he/she has a PRC statutory identification certificate or not),

- (1) individuals who have domestic permanent residence leaves this domestic permanent residence temporarily for reasons including overseas travel, study, medical treatment, work, or the requirements of overseas residence, etc.;
- (2) individuals who hold domestic-funded rights and interests of domestic enterprises; and
- (3) individuals who hold domestic-funded rights and interests in domestic enterprises which were converted into foreign-funded rights and interests with the same individual holding the aforementioned rights and interests.

Based on that: (i) Mr. Chen and Ms. Wan have confirmed that they are permanently resident in Hong Kong and their current residence in the PRC is a temporary one to facilitate management of their investment in the PRC including Bawang Guangzhou; (ii) Mr. Chen and Ms. Wan, being the ultimate controllers of Bawang Guangzhou, became Canadian citizens on 10 December 2004 and do not hold any domestic-funded rights and interests of any domestic enterprises; (iii) a SAFE Guangdong Branch official has orally confirmed that Mr. Chen and Ms. Wan are not required to register under the No.75 Notice; and (iv) our PRC legal advisors have advised that Mr. Chen and Ms. Wan are not required to register.

PRC Regulations on the Issue and Listing of Shares Outside China and relevant Regulatory Approvals (境外發行股票和上市管理規定及審批)

According to the Circular on Further Strengthening Administration of the Issue and Listing of Shares Outside China (Guo Fa [1997] No. 21) (關於進一步加強在境外發行股票和上市管理的通知 (國發[1997]21號)) which was promulgated by the State Council of the PRC came into effect on 20 June 1997 (the “**Red Chip Guideline**”). In the event that an unlisted overseas Chinese enterprise or a listed Chinese controlled enterprise applies for overseas listing where it has held its overseas assets or domestic assets for more than 3 years and these assets were obtained through investment of overseas asset, local laws will apply. However, domestic businesses that hold the share rights in the Chinese-funded enterprises shall obtain prior consent of the People's Government at the provincial level or the competent authority of

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the State Council of the PRC. Those companies' assets within China that have been owned for less than three years may not be included in the application for issue and listing of shares outside China unless there is a special need to do so, under which circumstance the matter shall be examined by the China Securities Regulatory Commission and subsequently examined and approved by the State Council Securities Commission. Following completion of the listing activity, the domestic businesses that hold equity interests in the Chinese-funded enterprise shall report to the China Securities Regulatory Commission.

In accordance with Decision of the State Council on the Cancellation of Administrative Approval Items for the Second Batch and on the Alteration of the Regulatory Measures on a Batch of Administrative Approval Items (Guo Fa [2003] No. 5) (國務院關於取消第二批行政審批項目和改變一批行政審批項目管理方式的決定) which was promulgated by the State Council and became effective on 27 February 2003, "the inspection of the legal opinion regarding issuing of shares and listing of the overseas company relating to domestic rights and interests issued by the PRC lawyer made by the China Securities Regulatory Commission" provided in the Announcement on the Issues concerning the Issuing Shares and Listing of the Overseas Company related to the Domestic Rights and Interests (Zheng Jian Fa Xing Zi [2000] No. 72) (中國證券監督管理委員會關於涉及境內權益的境外公司在境外發行股票和上市有關問題的通知(証監發行字[2000]72號)) promulgated by the China Securities Regulatory Commission on 9 June 2000 belongs to the 313th item of the 406 administrative approval items and shall be cancelled.

CSRC promulgated the Announcement of China Securities Regulatory Commission on the Cancellation of Administrative Approval Items for the Second Batch and on the Alteration of Regulatory Measures on Some Administrative Approval Items (中國證券監督管理委員會關於取消第二批行政審批項目和改變一批行政審批項目管理方式的通告), and the Notice on Doing a Good Job in the Cancellation of Administrative Approval Items for the Second Batch and in the Subsequent Supervision and Maintaining Consistency after the Alteration of Regulatory Measures on Some Administrative Approval Items (Zheng Jian Fa [2003] No. 17)) (中國證券監督管理委員會關於做好第二批行政審批項目取消及部分行政審批項目改變管理方式後的後續監管和銜接工作的通知(証監發[2003]17號)) on 1 April 2003. In accordance with the aforementioned documents, since 27 February 2003, the legal opinion regarding issuing of shares and listing of the overseas companies relating to domestic rights and interests issued by the PRC lawyer has not been accepted by the China Securities Regulatory Commission. If the legal opinion issued by the PRC lawyer was accepted prior to this, no objection letter will be issued.

The Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Rules" (關於外國投資者并購境內企業的規定), which was promulgated by the Ministry of Commerce, the State Asset Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE became effective on 8 September 2006 and applies in the event that foreign investors acquire PRC enterprises. Our PRC legal advisor to the Company and the PRC legal advisor to the Joint Sponsors advise that the Red Chip Guideline and M&A Rules are not applicable to the listing of the Company and it is unnecessary for the Group to obtain approval from the PRC government authorities in respect of the listing of the Company for the reasons that: (1) Mr. Chen and Ms. Wan became Canadian citizens on 10 December 2004; and (2) Bawang Guangzhou was set up as a new wholly foreign owned enterprise before 8 September 2006 by an offshore entity owned by Mr. Chen and Ms. Wan and was owned by Mr. Chen and Ms. Wan since its establishment.

General regulations on PRC Trademark Registration

Pursuant to the PRC Trademark Law (商標法) and its Implementation Regulation (商標法實施條例), registered trademarks are those that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of the Administrative Department for Industry and

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Commerce (國家工商行政管理總局商標局) under the State Council is in charge of trademark registration and administration in the PRC.

Trademark registrants shall be entitled to the exclusive use of their trademarks. This is limited to the use of registered trademarks on certain commodities on which the use of the registered trademarks is approved.

The validity period of a registered trademark shall be ten years commencing from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the validity period, an application for the renewal of registration shall be made within six months before the expiration of the validity period. If the renewal application is approved, the trademark will be renewed for another ten years.

A trademark shall not be registered and shall be prohibited from being used if: (1) the trademark is the copy, imitation or translation of a well-known trademark of another on the same or similar commodities not registered in China; and (2) the trademark may mislead the public or lead to possible damages to the interests of the registrant of that well-known trademark. A trademark shall not be registered and shall be prohibited from being used if: (i) it is a copy, imitation or translation of a well-known trademark of another which has been registered in China; and (ii) it may mislead the public and lead to possible damages to the interests of the registrant of that well-known trademark.

Regulation on Determination of Well-known Trademarks

Pursuant to the PRC Trademark Law, the following factors shall be taken into consideration in the determination of well-known trademarks:

- (1) how well that trademark is known by the relevant public;
- (2) the period during which that trademark has been in use;
- (3) the period, extent and geographic scope of any publicity of that trademark;
- (4) the record of protection of that trademark as a well-known trademark; and
- (5) other factors for which that trademark is well-known.

Under the Provisions for the Determination and Protection of Well-known Trademarks (馳名商標認定和保護規定), the term “well-known trademark” refers to a trademark widely known by the public and highly reputable in China.

The Trademark Office of the State Administration for Industry and Commerce shall be responsible for the recognition and administration of well-known trademarks.

The validity period of a well-known trademark shall be from the date when it is recognized as a well-known trademark until the end of the validity period of such trademark or until the recognition of the well-known trademark is revoked. The following serve as evidence indicating that trademark is well known:

- (1) materials showing that the public knows such trademark;
- (2) materials showing the duration of the use of such trademark;
- (3) materials showing the duration, extension and areas of advertising of such trademark;
- (4) records showing that such trademark has been protected as a well-known trademark;
- (5) other materials showing that the trademark is renown, including production amount, sales volume, and the profit of the products bearing the trademark.

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Regulation on Cosmetics Labeling

According to the Administrative Regulations on Cosmetics Labeling (化妝品標識管理規定), which was promulgated on 27 August 2007 by the AQSIQ and became effective on 1 September 2008, the label of the cosmetic product shall not contain any information claiming or implying any medical or therapeutic effects of the cosmetic product, the PRC legal advisors to the Company are unable to opine on whether the labels of the products produced by Bawang Guangzhou after 1 September 2008 have complied with the regulation due to the short history of the regulation and the lack of implementation rules of the regulation. If Bawang Guangzhou fails to comply with the regulation, Bawang Guangzhou may be ordered to rectify within a specific period of time. If Bawang Guangzhou fails to rectify promptly, Bawang Guangzhou may be imposed a fine of no more than RMB10,000. We received confirmation from the Administration of Quality and Technology Supervision of Guangdong Province, the local governmental authority responsible for implementing such regulation on 30 September 2008, confirming Bawang Guangzhou has not been punished due to issues relating to product quality from 20 November 2007, the date on which Bawang Guangzhou obtained the production License, to 30 September 2008. Likewise, we have not received any penalties due to violation of the regulation as of the Latest Practicable Date.

Save as explained in the above paragraph, as advised by our PRC legal advisor, based on the certificates issued by the competent authorities, Bawang Guangzhou has complied with all relevant regulatory requirements for its operations in all material respects. Bawang Guangzhou has obtained all necessary PRC licenses and permits required under the above regulations.

To ensure ongoing compliance with the regulatory requirements, Bawang Guangzhou has adopted the following measures, among others:

- (1) assigned in-house legal counsel who will monitor both current and newly promulgated regulatory requirements applicable to Bawang Guangzhou;
- (2) set up an office to be in charge of affairs in relation to the license and permits to be obtained by Bawang Guangzhou;
- (3) set up an office to be in charge of affairs in relation to the intellectual property of Bawang Guangzhou; and
- (4) consult external legal counsel for further advice, where appropriate.

COMPANY HISTORY AND REORGANIZATION

HISTORY AND DEVELOPMENT

Our 霸王 (Bawang) brand is the leading Chinese brand in the overall shampoo market in the PRC and the leading brand in the Chinese herbal shampoo market in the PRC. Our 霸王 (Bawang) trademark was first registered in the PRC by Old Guangzhou Bawang, a company which primarily manufactured and sold Chinese herbal shampoo in the PRC in 1996. It first established its distribution and retail network by promoting the 霸王 (Bawang) branded products to potential distributors and retailers at promotional events.

Due to the increase in consumer demand for Chinese herbal shampoo in the PRC, Mr. Chen and Ms. Wan made a strategic decision to establish Guangzhou Bawang in 2001. Guangzhou Bawang primarily manufactured and sold Chinese herbal shampoo products in the PRC. Guangzhou Bawang established a new HPC product business by purchasing new equipment and machinery, constructing production premises, setting up its own marketing and promotional team and distribution and retail network. Old Guangzhou Bawang ceased to engage in the HPC product business after the establishment of Guangzhou Bawang and was liquidated on 9 August 2008 for the purpose of streamlining the corporate structure.

Mr. Chen and Ms. Wan intended to engage in the non-HPC product related businesses, including property development and hotel business, through Guangzhou Bawang, in 2005. In order to segregate the HPC product business from the anticipated non-HPC product related businesses, further expand the HPC product business and develop markets outside the PRC, Mr. Chen and Ms. Wan established Bawang Guangzhou, through Bawang Bermuda, in 2005. Bawang Guangzhou subsequently entered into a HPC product business transfer agreement with Guangzhou Bawang, whereby Guangzhou Bawang transferred its entire HPC product business to Bawang Guangzhou. Guangzhou Bawang ceased its HPC product operations in December 2007.

Building on the success of our 霸王 (Bawang) branded Chinese herbal shampoo, we began to implement a multi-brand strategy to diversify our product offerings by launching our non-Chinese herbal HPC products under our 麗濤 (Litao) brand in 2001, our skin-care products series under our 雪美人 (Smerry) brand in 2004, our Chinese herbal toothpaste products under our 霸王 (Bawang) brand in 2004 and our Chinese herbal shampoo and hair-care products under our 追風 (Royal Wind) brand in 2009. We implemented a series of marketing and promotional campaigns for our 霸王 (Bawang) branded Chinese herbal shampoo and hair-care products in the PRC from 2005. We selected an internationally renowned celebrity, Mr. Jackie Chan (成龍), as image and brand ambassador of our 霸王 (Bawang) branded Chinese herbal shampoo in 2005. We also selected Ms. Faye Wong (王菲), a renowned singer and actress in Asia, as our image and brand ambassador for our 追風 (Royal Wind) branded Chinese herbal shampoo and hair-care products in 2009.

We have received numerous awards and certificates, and in particular, our 霸王 (Bawang) brand was awarded 中國馳名商標 (Well-known Trademark of China) in 2007. For further details, please refer to the section headed "Business – Awards and Certificates" in this prospectus.

We successfully launched our 霸王 (Bawang) branded Chinese herbal shampoo and hair-care products in Hong Kong, Macao and Singapore in 2008. We strategically selected Hong Kong as our headquarters outside the PRC due to its attractive business hub status and well-established economic system. We incorporated Bawang Hong Kong and Bawang Trading in 2007 and 2008, respectively, to implement our business strategy in Hong Kong, Singapore and other markets outside the PRC.

We incorporated Forever Giants in 2008 to streamline our Group's marketing and promotion functions. We incorporated Lucky Rich and Bawang Investments in 2008 to implement our plan in respect of the plantation of raw materials for use in our production of Chinese herbal HPC products, which we expect to commence operation after Listing.

In anticipation of the Global Offering, Mr. Chen and Ms. Wan established our Company in 2007 through Fortune Station, an investment holding company.

COMPANY HISTORY AND REORGANIZATION

Our Group now consists of our Company, Maxford Investments, Forever Giants, Bawang Hong Kong, Bawang Trading, Lucky Rich, Bawang Investments and Bawang Guangzhou. For details of our subsidiaries, please refer to the section headed “Statutory and General Information” in Appendix V to this prospectus.

REORGANIZATION

We underwent a series of reorganization steps which involved (i) the restructuring of our HPC product operations; and (ii) the establishment of our current shareholding structure.

Restructuring of our HPC product operations

(1) Transfer of the HPC product business from Guangzhou Bawang to Bawang Guangzhou

In order to segregate the HPC product business from the anticipated non-HPC product businesses of Guangzhou Bawang, further expand the HPC product business and develop markets outside the PRC, Mr. Chen and Ms. Wan established Bawang Guangzhou, which later became our main operating subsidiary. Guangzhou Bawang and Bawang Guangzhou entered into a HPC product business transfer agreement on 8 April 2006, pursuant to which Guangzhou Bawang agreed to transfer all its rights and obligations under the existing sales contracts related to the HPC product business to Bawang Guangzhou together with all related trade receivables and receipts in advance with an aggregate net amount of RMB3.4 million. Guangzhou Bawang ceased sales of its products, except to Bawang Guangzhou, from 30 September 2006.

(2) Outsourcing of the production of our HPC products by Bawang Guangzhou to Guangzhou Bawang

In anticipation of the transfer of the entire HPC product business from Guangzhou Bawang to Bawang Guangzhou and while Bawang Guangzhou was in the process of obtaining the necessary production licenses from the relevant PRC government authorities for the production of the HPC products, Bawang Guangzhou and Guangzhou Bawang entered into a processing agreement on 18 March 2006, pursuant to which Bawang Guangzhou agreed to outsource the production of our 霸王 (Bawang), 雪美人 (Smerry) and 丽涛 (Litao) branded products to Guangzhou Bawang pending Bawang Guangzhou obtaining the necessary production licenses, and Guangzhou Bawang agreed to manufacture such products exclusively for Bawang Guangzhou during this period. Bawang Guangzhou obtained the necessary production licenses on 20 November 2007.

(3) Transfer of equipment and machinery from Guangzhou Bawang to Bawang Guangzhou

Subsequent to Bawang Guangzhou obtaining the necessary production licenses, Bawang Guangzhou and Guangzhou Bawang entered into an equipment and machinery transfer agreement on 21 December 2007, pursuant to which Guangzhou Bawang agreed to transfer all its equipment and machinery relating to the production of HPC products to Bawang Guangzhou for a consideration of approximately RMB9.8 million, which was determined based on asset valuation conducted by an independent PRC valuer. Bawang Guangzhou commenced production of its HPC products in December 2007.

The equipment and machinery transferred by Guangzhou Bawang to Bawang Guangzhou comprised only of locally purchased equipment and machinery and no custom clearance was necessary. As of 31 December 2008, the equipment and machinery owned by the Group has a net book value of approximately RMB19.2 million, which includes the equipment and machinery transferred from Guangzhou Bawang to Bawang Guangzhou. The Directors considered that the equipment and machinery currently owned by the Group are sufficient to meet the Group’s production requirements.

COMPANY HISTORY AND REORGANIZATION

(4) Licensing of Trademark by Guangzhou Bawang to Bawang Guangzhou

To facilitate Bawang Guangzhou to promote and sell our products, Bawang Guangzhou and Guangzhou Bawang entered into a trademark license agreement on 8 April 2006, pursuant to which Guangzhou Bawang agreed to grant exclusive licenses to Bawang Guangzhou to use the 霸王 (Bawang), 雪美人 (Smerry) and 丽涛 (Litao) trademarks registered in the PRC for a term of three years at nil consideration. Such exclusive licenses lapsed after the above trademarks were subsequently transferred to Bawang Guangzhou from Guangzhou Bawang.

(5) Retained Assets and Liabilities and Leasing of Land, Production and Office Premises to Bawang Guangzhou

Upon the completion of the above restructuring of our HPC product operations on 31 December 2007, Guangzhou Bawang continued to own the certain assets and liabilities with an aggregate net book value of RMB29.9 million (“**Retained Assets**”) which included lease prepayment and production premises (the “**Property Assets**”) with an aggregate net book value of RMB15.4 million. The remaining net assets with an aggregate net book value of RMB14.5 million (the “**Working Capital Assets**”) were mainly working capital in nature.

Bawang Guangzhou plans to relocate to a new production premises in the near future for its business expansion and therefore the Property Assets were not transferred to the companies now comprising the Group and were retained by Guangzhou Bawang.

In order to enable the Group to continue its HPC product operation using the current Property Assets prior to the relocation, Bawang Guangzhou entered into a production and office premises tenancy agreement with Guangzhou Bawang on 22 January 2008 to lease the Property Assets with effect from 4 December 2007.

The Working Capital Assets with an aggregate net book value of RMB14.5 million were solely generated by the HPC product operation during the Track Record Period. We consider that retention of these assets by Guangzhou Bawang would not materially affect our HPC product operation after the abovementioned restructuring.

Pursuant to the Reorganization, the Retained Assets are reflected as a deemed appropriation of net assets to our Controlling Shareholders by the HPC product operation on 31 December 2007.

The restructuring of our HPC product operations was completed on 31 December 2007 and Guangzhou Bawang ceased its HPC product operation.

Since the Controlling Shareholders controlled the HPC product operation of Guangzhou Bawang before the Reorganization and continue to control the companies now comprising the Group after the Reorganization, the transfer of our HPC product operation from Guangzhou Bawang to the companies now comprising the Group has been treated as a reorganization under common control for accounting purposes.

Establishment of our current shareholding structure

We began to streamline our offshore holding structure in 2007 in contemplation of the Global Offering.

(1) Our Company

Our Company was incorporated under the laws of the Cayman Islands with limited liability on 11 December 2007. At the time of its incorporation, it had an authorized share capital of US\$50,000

COMPANY HISTORY AND REORGANIZATION

divided into 50,000 shares of US\$1.0 each. One share was subscribed by Codan Trust Company (Cayman) Limited which was subsequently transferred to Fortune Station.

Pursuant to the resolutions in writing of Fortune Station, our sole Shareholder, passed on 10 December 2008, (i) the authorized share capital of the Company was increased to HK\$1,000 divided into 10,000 Shares; (ii) the Company issued 10,000 Shares of HK\$0.1 each to Fortune Station; (iii) following the issue as per sub-paragraph (ii) above, the Company repurchased one share of US\$1.0 each in the share capital of the Company; and (iv) the authorized but unissued share capital of the Company was diminished by the cancellation of all unissued shares.

(2) Maxford Investments

Maxford Investments was incorporated under the laws of the BVI with limited liability on 11 April 2007 and is authorized to issue 50,000 no par value shares. One share was subscribed by our Company at a consideration of US\$1.0 and Maxford Investments became our wholly-owned subsidiary.

(3) Forever Giants

Forever Giants was incorporated under the laws of the BVI with limited liability on 8 August 2008 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. One share was subscribed by our Company and Forever Giants became our wholly-owned subsidiary.

(4) Bawang Hong Kong

Bawang Hong Kong was incorporated under the laws of Hong Kong with limited liability on 31 October 2007 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Bawang Bermuda. On 28 December 2007, Maxford Investments acquired one share in Bawang Hong Kong from Bawang Bermuda for a consideration of HK\$1.0 and Bawang Hong Kong became our indirect wholly-owned subsidiary.

(5) Bawang Trading

Bawang Trading was incorporated under the laws of Hong Kong with limited liability on 24 January 2008 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Maxford Investments and Bawang Trading became our indirect wholly-owned subsidiary.

(6) Lucky Rich

Lucky Rich was incorporated under the laws of the BVI with limited liability on 2 January 2008 and is authorized to issue 50,000 no par value shares. 5,100 shares and 4,900 shares were subscribed by Mr. Chen and Ms. Wan, respectively, at a consideration of US\$10,000. On 5 November 2008, Mr. Chen and Ms. Wan agreed to transfer all their shares in Lucky Rich to Maxford Investments and Lucky Rich became our indirect wholly-owned subsidiary.

(7) Bawang Investments

Bawang Investments was incorporated under the laws of Hong Kong with limited liability on 24 January 2008 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Lucky Rich and Bawang Investments became our indirect wholly-owned subsidiary.

(8) Bawang Guangzhou

Bawang Guangzhou was established under the laws of the PRC as a wholly foreign-owned enterprise on 13 April 2005 with a registered capital of US\$12.5 million and the entire registered capital

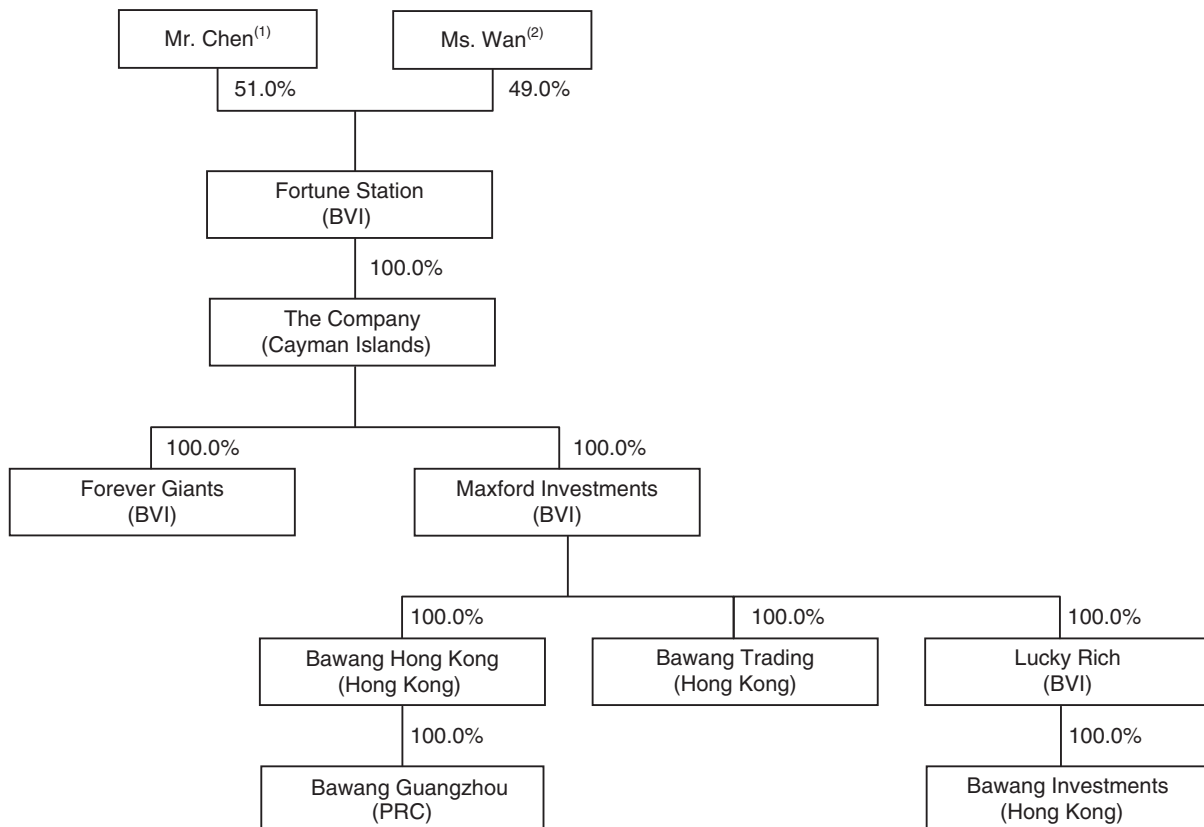
COMPANY HISTORY AND REORGANIZATION

of Bawang Guangzhou was held by Bawang Bermuda. Bawang Bermuda and Bawang Hong Kong entered into an equity transfer agreement on 20 December 2007, pursuant to which Bawang Bermuda agreed to transfer its entire equity interest in Bawang Guangzhou to Bawang Hong Kong for a consideration of US\$12.5 million. Bawang Guangzhou became our indirect wholly-owned subsidiary and the main operating subsidiary of our Group.

CORPORATE STRUCTURE

Corporate Structure Immediately Prior to the Global Offering

The following chart sets forth the corporate structure of our Group, after the Reorganization and before the Global Offering and Capitalization Issue:



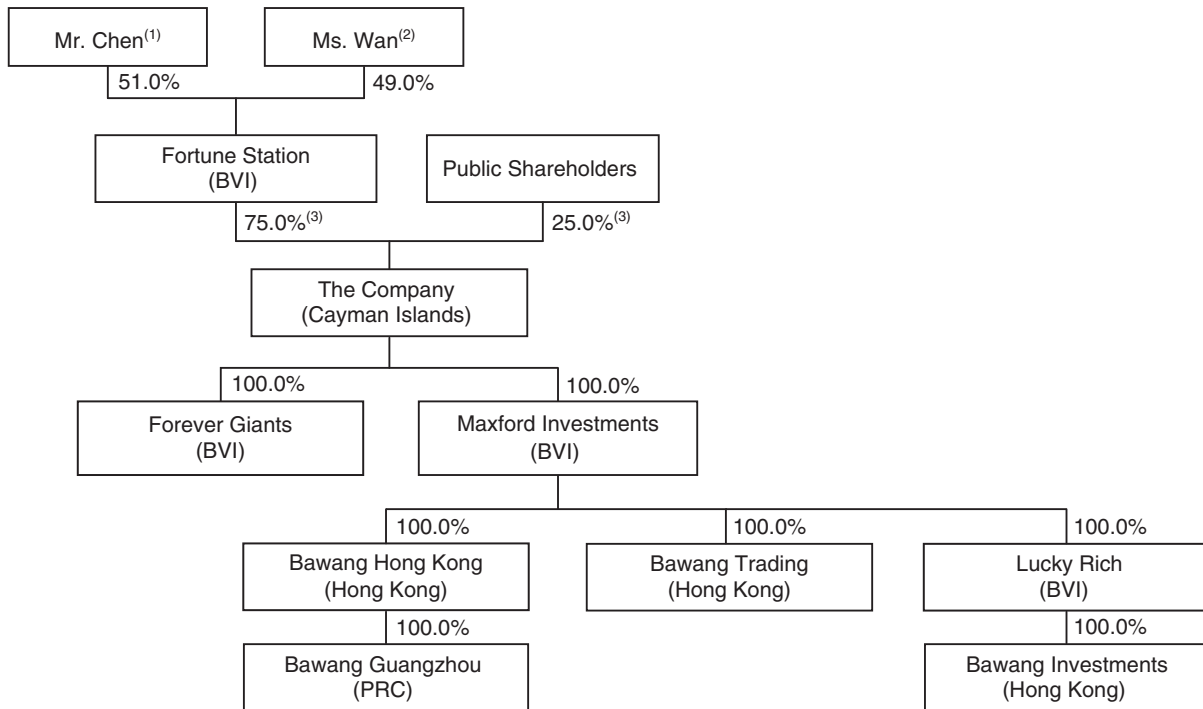
Notes:

- (1) Mr. Chen is the co-founder of our Group, our chairman, executive Director, one of our Controlling Shareholders and the spouse of Ms. Wan.
- (2) Ms. Wan is the co-founder of our Group, our chief executive officer, executive Director, one of our Controlling Shareholders and the spouse of Mr. Chen.

COMPANY HISTORY AND REORGANIZATION

Corporate Structure Upon Completion of the Global Offering

The following chart sets forth the corporate structure of our Group after the Reorganization and immediately following completion of the Global Offering and Capitalization Issue, assuming the Over-allotment Option is not exercised:



Notes:

- (1) Mr. Chen is the co-founder of our Group, our chairman, executive Director, one of our Controlling Shareholders and the spouse of Ms. Wan.
- (2) Ms. Wan is the co-founder of our Group, our chief executive officer, executive Director, one of our Controlling Shareholders and the spouse of Mr. Chen.
- (3) If the Over-allotment Option is exercised in full, the shareholding proportions held by Fortune Station and the public shareholders will be approximately 72.3% and 27.7%, respectively.

OVERVIEW

Our 霸王 (Bawang) brand is the leading Chinese brand in the overall shampoo market in the PRC. According to Euromonitor, our 霸王 (Bawang) brand had the largest market share among all Chinese brands in the overall shampoo market in the PRC in terms of retail sales in 2007 and the first half of 2008 of approximately 6.2% and 7.6%, respectively. We primarily design, manufacture and market Chinese herbal shampoo and hair-care products under our 霸王 (Bawang) brand, skin-care products and Other Products such as toothpaste and shower gels.

We have successfully set ourselves apart from our competitors by establishing our 霸王 (Bawang) brand, which was awarded 中國馳名商標 (Well-known Trademark of China) in 2007, as the leading brand in the Chinese herbal shampoo market in the PRC with market shares in terms of retail sales in 2006, 2007 and the first half of 2008 of approximately 24.3%, 43.5% and 46.3%, respectively, according to Euromonitor. Chinese consumers are becoming increasingly conscious of their health and lifestyle which, among other things, has led to increased demand for Chinese herbal shampoo. We believe that we are well positioned in this market to meet changing consumer preferences and increasing market demand.

We believe that one of our core competitive strengths is our ability to meet consumer demands by providing high quality Chinese herbal HPC products. We have introduced various types of Chinese herbal HPC products to meet the needs and demands of different consumer groups. We continuously upgrade our existing products and develop new products. We also cooperate with (i) universities in the PRC to develop new techniques and know-how, such as essence extraction; and (ii) an association in the PRC which provides us with technical support in the production of our Chinese herbal shampoo. We believe that our continual efforts in research and development enable us to maintain and strengthen our leadership, competitiveness and profitability in the market.

We generally sell our products through our distributors and retailers. As of 31 December 2008, our extensive distribution and retail network comprised 567 distributors and 46 KA retailers, covering 24 provinces and four municipalities in the PRC as well as Hong Kong, Macao and Singapore. We launched our products in Hong Kong, Macao and Singapore in 2008 and we expect to launch our products in Malaysia, Myanmar and Thailand in 2009. Building on our leading position in the Chinese herbal shampoo market in the PRC, we intend to continue to expand our business by exploring other markets outside the PRC such as Taiwan.

We believe our leading positions among Chinese brands in the overall shampoo market in the PRC and in the Chinese herbal shampoo market in the PRC are mainly attributable to our innovative and multi-faceted marketing strategies. Our dedicated marketing and promotion team is responsible for the design and promotion of our brands and products and the formulation of our marketing strategies. We have implemented our marketing strategies through various channels including (i) television commercials and sponsorship of television programs; (ii) advertising in newspapers, magazines, the Internet, public transportation, billboards, banners and kiosks; (iii) strategically selecting suitable celebrities as our brand ambassadors; (iv) organizing frequent in-store marketing and promotional activities and roadshows; and (v) attending Chinese herbal-related events to market our products.

We have enjoyed rapid growth during the Track Record Period. Our revenue and net profit grew at CAGRs of 89.7% and 55.9% from 2006 to 2008, respectively. Our revenue for the years ended 31 December 2006, 2007 and 2008 were RMB392.4 million, RMB921.7 million and RMB1,411.2 million, respectively. Our net profits for the same periods were RMB116.0 million, RMB181.3 million and RMB281.8 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are based on a combination of the following competitive strengths:

Leading market position in the fast-growing Chinese herbal shampoo market in the PRC

Our 霸王 (Bawang) brand is the leading brand in the Chinese herbal shampoo market in the PRC with the largest market share in terms of retail sales in 2006, 2007 and the first half of 2008 of approximately 24.3%, 43.5% and 46.3%, respectively, according to Euromonitor. Since the launch of our 霸王 (Bawang) brand, we have been focusing on achieving and maintaining the top position in the Chinese herbal shampoo segment.

With improved living standards in China, Chinese consumers are increasingly conscious of their health and lifestyle, which among other things, has led to an increase in the demand for Chinese herbal HPC products. According to Euromonitor, demand for Chinese herbal shampoo in the PRC has grown rapidly, with retail sales increasing from approximately RMB418 million in 2002 to RMB1,982 million in 2007, representing a CAGR of 36.5%, which accounted for approximately 10.2% in 2002, and 14.2% in 2007 of the entire shampoo market in the PRC. Leveraging on our solid experience and expertise in research and development and our strong design and marketing capabilities, we have successfully positioned our 霸王 (Bawang) brand at the forefront of the Chinese herbal shampoo market in the PRC. We believe that we are well positioned to benefit from the rapid growth of the Chinese herbal HPC products market in the PRC and we have the capability to offer a wide variety of Chinese herbal HPC products to meet the growing demand of Chinese consumers.

Unique brand positioning and strong brand recognition

We have positioned our 霸王 (Bawang) brand as the leading brand in the Chinese herbal shampoo market in the PRC with an aim to capture growing consumer demand for Chinese herbal HPC products. Through our continued and focused brand-building efforts in the PRC market, we have built strong brand recognition and successfully set ourselves apart from our competitors. Our 霸王 (Bawang) brand was awarded 中國馳名商標 (Well-known Trademark of China) by the State Administration for Industry and Commerce in 2007 and we have received various awards and certificates, details of which are set out in the section headed "Awards and Certificates" in this section of the prospectus. We believe that our 霸王 (Bawang) brand is uniquely positioned and is widely recognized by Chinese people, both in the PRC and among Chinese communities outside the PRC.

Our unique brand positioning and strong brand recognition have supported our business growth, as demonstrated by the significant increase of our market share in the overall shampoo market in the PRC in terms of retail sales from 0.7% in 2005 to 7.6% in the first half 2008, representing a 159.6% CAGR.

Our strong product research and development capabilities and dedication to quality control

In order to strengthen our competitive edge and leading market position, we strive to continuously diversify our product offerings and upgrade our existing products to be at the forefront of consumer trends and developments. We adapt to the ever-changing market trends by offering Chinese herbal HPC products that match consumer preferences. Combining our proprietary formulae, technology, accumulated experience and knowledge in the Chinese herbal shampoo and hair-care products market in the PRC, we have a proven track record of developing quality Chinese herbal shampoo and hair-care products. For the years ended 31 December 2006, 2007 and 2008, we have developed and launched 18, 11 and 7 new products, respectively, under our 霸王 (Bawang) brand. Our research and development capabilities are further strengthened by our cooperations with universities and an association in the PRC. We believe that our focus on research and development has helped make our 霸王 (Bawang) brand the leading brand in the Chinese herbal shampoo market in the PRC.

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We place strong emphasis on the quality of our products and adopt stringent quality control policies in the selection of our raw materials, packaging materials and throughout our production process. We have stringent selection criteria for our suppliers with regard to the quality of their services and products and we adopt vigorous inspection policies on the raw materials and packaging materials we receive from our suppliers. We also conduct regular checks throughout our production process to ensure full compliance with our internal quality standards and those set by the PRC government. We obtained ISO9001 quality management system certification in 2007. We believe our continuous implementation of strict quality standards can assure the quality of our products and also help maintain and improve our reputation.

Established nationwide distribution and retail network

The continual expansion of our nationwide distribution and retail network during the Track Record Period has accelerated the penetration of our brands and strengthened the sales of our products. For the years ended 31 December 2006, 2007 and 2008, our extensive distribution and retail network comprised 374, 530 and 567 distributors, respectively, as well as 24, 36 and 46 KA retailers, respectively, covering 24 provinces and four municipalities in the PRC as well as Hong Kong, Macao and Singapore. We select our distributors based on the scale of their existing distribution networks, warehouse facilities, delivery capabilities, sales personnel, financial condition, creditworthiness and compatibility with our business strategies. We select our retailers based on their business scale, number of retail outlets, coverage of sales and reputation.

We maintain flexibility in our distribution arrangements by selecting distributors with different market penetration in order to target our consumer groups more effectively. We adopt a policy of having at least two distributors in a defined district in the PRC, one of which will sell our products to mid-to-large size retailers and the other will sell our products to small-to-mid size retailers. This flexible arrangement allows us to grow our business in various markets based on local market conditions, reduce our risk in doing business in areas where we are less familiar and most importantly, expand our geographical coverage and increase our sales revenue.

Innovative and effective branding and multi-faceted marketing strategy

We have implemented an innovative and effective branding and multi-faceted marketing strategy to promote our brands and products. We have implemented our marketing strategies through various channels including (i) television commercials and sponsorship of television programs; (ii) advertising in newspapers, magazines, the Internet, public transportation, billboards, banners and kiosks; (iii) strategically selecting suitable celebrities as our brand ambassadors; (iv) organizing regular and frequent in-store marketing activities and roadshows; and (v) attending particular Chinese herbal-related events to market our products.

We place emphasis on television commercials which are broadcast through various major television stations in the PRC including China Central Television (CCTV), Guangzhou Television, Beijing Television and Shanghai Television, and outside the PRC, including Television Broadcasts Limited (TVB) and Asia Television Limited (ATV) in Hong Kong, and MediaCorp TV Singapore Pte Ltd. in Singapore. We require our retailers to strictly follow our product display policy to ensure easy and consistent identification of our brands and products from the consumers' perspective. We require our distributors to procure their sub-distributors and their retailers to follow our products display policy. We also offer bundled packages with supplementary products to consumers. We believe our leading position among other brands in the Chinese herbal shampoo market in the PRC is mainly attributable to our innovative and effective branding and multi-faceted marketing strategy.

Experienced, dedicated and innovative management team with a track record of delivering growth and profitability

We believe our key management team's experience and extensive knowledge in the Chinese herbal HPC products industry have enabled us to achieve rapid growth during the Track Record Period. Our chairman and executive Director, Mr. Chen, and our chief executive officer and executive

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Director, Ms. Wan, have an average of 15 years of experience in the Chinese herbal HPC products industry in China with extensive knowledge in business management, marketing, investment and strategic planning. During the Track Record Period, we grew rapidly and successfully obtained a significant market share in the Chinese herbal shampoo market in the PRC. We believe our success and growth have been largely due to the strength of our senior management team, who possess leadership and vision to anticipate changes in consumer preferences and develop new products to ensure our future growth.

We have adopted the Pre-IPO Share Option Scheme and the Share Option Scheme to motivate our Directors, senior management and employees, for details, please refer to the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix V to this prospectus. We believe that the interests of our Directors, senior management and employees are concurrent with our Shareholders’ interests and they are fully incentivized to create value for our business and our Shareholders.

STRATEGIES

We aim to become a global leader of branded Chinese herbal HPC products. We intend to achieve this goal by implementing the following strategies:

Strengthen our leading market position in the Chinese herbal shampoo market, further diversify our Chinese herbal HPC product offerings and continue to adopt a multi-brand portfolio strategy

According to Euromonitor, the Chinese herbal shampoo market has been growing rapidly as people in China are becoming increasingly conscious in their health and lifestyle and interested in HPC products with natural ingredients. As the leading brand in the Chinese herbal shampoo market in the PRC, we are well positioned to benefit from future growth in this market. During the Track Record Period, we sold our products under three brands, namely 霸王 (Bawang), 雪美人 (Smerry) and 丽涛 (Litao). We introduced our 追風 (Royal Wind) brand for our new series of Chinese herbal shampoo and hair-care products in May 2009. We intend to launch a new series of Chinese herbal skin-care products in the second half of 2009. We will continue to invest our resources in our Chinese herbal shampoo products to strengthen our leading market position and further increase our market share. We have adopted a multi-brand portfolio strategy to expand our customer base and increase our market share in the Chinese herbal HPC product markets through the introduction of new brands and products or through selected acquisitions. We believe these diversification measures enable us to offer a more comprehensive product portfolio, differentiate and segment our target markets with unique brand names that cater for and appeal to different consumer groups and therefore increase our profitability.

Enhance existing and new brand promotion to raise brand awareness

We will continue to market our brands and products through our dedicated marketing and promotional team. We will continue to strengthen our marketing efforts in the PRC and follow the same approach we currently adopted in the PRC to promote our brands and products in other markets outside the PRC through various marketing and promotional activities such as sponsorship of programs and increasing the frequency of our in-store marketing and promotional activities.

Expand our distribution and retail network

We will continue to strengthen our position as the leading brand in the Chinese herbal shampoo market in the PRC by increasing market penetration through the expansion of our existing distribution and retail network. We will continue to increase the number of distributors and retailers and increase the number of sales representatives to assist us in the expansion of our network coverage, particularly in cities, regions and countries that we do not currently cover. We will continue to work closely with our distributors and retailers and monitor their performance on a regular basis to ensure that our products are ultimately sold to consumers in an effective manner. Furthermore, we will invest additional

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resources in our marketing and promotional activities to increase consumer recognition of our brands and purchase of our products.

We believe that our products not only appeal to the consumers in the PRC but also attract consumers outside the PRC. We export our products to markets outside the PRC in which there is demand for our products. We launched our products in Hong Kong, Macao and Singapore in 2008 and we expect to launch our products in Malaysia, Myanmar and Thailand in 2009. Building on our leading position in the Chinese herbal shampoo market in the PRC and our successful launch of our products in Hong Kong, Macao and Singapore, we intend to explore other markets outside the PRC such as Taiwan.

We believe that the expansion of our distribution and retail network in the PRC as well as to other markets outside the PRC will enable us to increase our sales and raise awareness of our brands and products.

Continue to strengthen our research and development capabilities

We believe that our long-term success and growth will largely depend on our ability to upgrade our existing products and develop new products that closely follow consumer preferences and market demand. Based on our past experience, demand for our upgraded products and new products will normally increase after they were launched to the consumer markets. We will continue to devote resources to research and development activities and strengthen our cooperation with universities and associations in the PRC. We intend to establish a new research and development center with advanced equipment and expand our team of specialists with an aim to becoming a leading research and development team in Chinese herbal HPC products in the PRC.

Expand our production capacity

We plan to expand our production capacity to meet growing demand for our products and gain market share in both the PRC market and markets outside the PRC. We intend to lease a new production premises with an estimated area of approximately 75,000 m² located in Baiyun District, Guangzhou. The first phase of construction is expected to be completed by the end of 2009 and all remaining phases of construction are expected to be completed by 2012. We plan to install advanced equipment, increase the number of production lines and expand our labor scale. We will apply for ISO9001 certification for our new production lines. We believe that increasing our production area, installing additional advanced equipment, increasing the number of production lines and expanding our labor scale will allow us to increase our annual production capacity for shampoo and hair-care products to approximately 100,000 metric tons by the end of 2009. Our aggregated planned capacity for all HPC products is expected to be approximately 280,000 metric tons by 2012.

Expand into the upstream business to secure supply and control quality of raw materials

We currently rely on third-party suppliers for the raw materials that we use in our production. We intend to lease suitable land in the PRC and invest in the plantation of raw materials, such as Chinese herbs, to secure supply and assure the quality of our raw materials. This will allow us to reduce our reliance on third-party suppliers and reduce our costs. We believe that expansion into the upstream business together with our existing quality control policies will enable us to assure the quality of our products. The Group has not engaged in any plantation of raw materials during the Track Record Period.

Attract and retain talented personnel

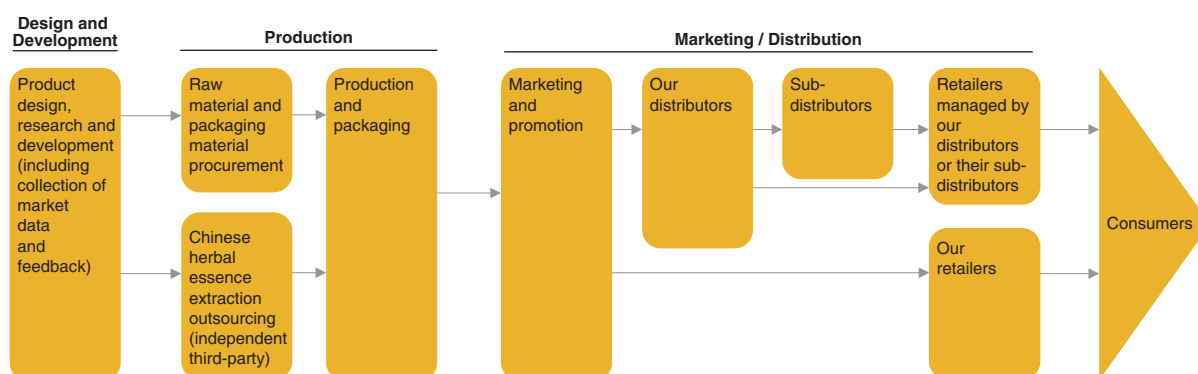
We believe that successful implementation of our growth and business strategies will depend upon experienced, motivated and well-trained members of the management and employees at all levels. We intend to attract and retain talented individuals in the industry by providing attractive remuneration

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packages and well-designed training to our personnel. We offer our employees a range of incentives, including bonuses and entitlement to our Pre-IPO Share Option Scheme and Share Option Scheme, to encourage loyalty of our employees and to promote a customer-focused corporate culture. For details of the Pre-IPO Share Option Scheme and Share Option Scheme, please refer to the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix V to this prospectus.

BUSINESS MODEL

We believe that the HPC product industry in the PRC, particularly the Chinese herbal HPC product industry, has high growth potential. We introduced our first Chinese herbal shampoo series under our 霸王 (Bawang) brand in 1998. Following the success of our sales of 霸王 (Bawang) branded products in the PRC, we have progressively adopted a multi-brand and products strategy with a diversified portfolio of products under our brands, namely 霸王 (Bawang), 雪美人 (Smerry) and 丽涛 (Litao). In continuance of this strategy, we introduced a new brand 追風 (Royal Wind) in 2009. The following diagram illustrates our business model:



Our business has experienced substantial growth during the Track Record Period and we believe that such growth was primarily due to:

- our ability to leverage our leading 霸王 (Bawang) brand’s position in the Chinese herbal shampoo market, which has set ourselves apart from our competitors, to develop new brands and products which meets today’s changing consumer preferences and increase overall market share .
- our research and development team and scalable production ability allowed us to develop and launch 18, 11 and 7 new products under our 霸王 (Bawang) brand for the years ended 31 December 2006, 2007 and 2008, respectively.
- our extensive distribution and retail network comprised 567 distributors and 46 KA retailers as of 31 December 2008, covering 24 provinces and four municipalities in the PRC, as well as markets outside the PRC such as Hong Kong, Macao and Singapore allowed us to conduct sales of our new and existing products efficiently and effectively.
- our innovative and multi-faceted marketing strategies such as utilizing multiple channels including (i) television commercials and sponsorship of television programs; (ii) advertising in newspapers, magazines, the Internet, public transportation, billboards, banners, kiosks; (iii) strategically selecting suitable celebrities as our brand ambassadors; (iv) organizing frequent in-store marketing activities and roadshows; and (v) attending Chinese herbal-related events allowed us to continue to maintain our leading position among other brands in the Chinese herbal shampoo market in the PRC.
- our key management team’s experience and extensive knowledge in the Chinese herbal HPC products industry as well as their combined experience in business management and marketing and strategic planning which has steered our development and growth with leadership and vision.

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OUR BRANDS

We have built strong brand recognition for our 霸王 (Bawang) brand, which was recognized as 中國馳名商標 (Well-known Trademark of China) in 2007. We adopt a multi-brand portfolio strategy to market our products to various consumer groups. The introduction of our 丽涛 (Litao) branded non-Chinese herbal HPC products, our 雪美人 (Smerry) branded skin-care products and our 追風 (Royal Wind) branded Chinese herbal shampoo and hair-care products has allowed us to tap into a wider consumer base across the PRC as well as markets outside the PRC. We believe that our multi-brand portfolio strategy enables us to expand our product portfolio and increase our market share in the HPC products markets. The following table sets forth our key brands:

<u>Brand⁽¹⁾</u>	<u>Year of Introduction</u>	<u>Key Product Type</u>	<u>Target Consumer Groups⁽²⁾</u>
霸王 (Bawang)	1998	Chinese herbal shampoo, hair-care products and toothpaste products	Medium and high end markets
丽涛 (Litao)	2001	Non-Chinese herbal shampoo, hair-care products, shower products and liquid soap	Medium end market
雪美人 (Smerry)	2004	Skin-care products	Medium end market
追風 (Royal Wind)	2009	Chinese herbal shampoo and hair-care products	Medium and high end markets

Notes:

- (1) The 霸王 (Bawang), 丽涛 (Litao), 雪美人 (Smerry) and 追風 (Royal Wind) brands were developed by Mr. Chen and Ms. Wan.
- (2) The Group identified the target consumer groups based on the retail price range of our products after considering the consumer preferences and affordability.

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The following table sets forth the breakdown of our revenue and revenue contribution by brands and products for the years ended 31 December 2006, 2007 and 2008, respectively:

Brand	Categories	Key Series of Products	Year ended 31 December					
			2006		2007		2008	
			Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue
霸王 (Bawang)	Shampoo and Hair-care Products	Chinese Herbal Essence Shampoo Series ⁽¹⁾	109,882	28.0%	373,022	40.5%	474,498	33.6%
		Anti-hair Loss and Regrow Shampoo ⁽¹⁾	100,973	25.7%	245,524	26.6%	335,675	23.8%
		Hair-blackening Shampoo ⁽¹⁾	43,402	11.1%	44,585	4.8%	34,483	2.4%
		Natural Herbal Shampoo Series	—	0.0%	42,828	4.6%	188,215	13.3%
		Fruit Acid Series ⁽¹⁾	69,032	17.6%	94,180	10.2%	162,007	11.5%
		Chinese Recipe Series ⁽¹⁾	23,805	6.1%	70,771	7.7%	126,024	9.0%
		Other Products						
	Toothpaste Products	9,074	2.3%	18,201	2.0%	22,880	1.6%	
	Others	2,806	0.7%	1,799	0.2%	4,775	0.4%	
		Subtotal	358,974	91.5%	890,910	96.6%	1,348,557	95.6%
雪美人 (Smerry)	Skin-care Products	Skin-care Products	8,210	2.1%	13,456	1.5%	7,871	0.6%
丽涛 (Litao)	Other Products	Toothpaste Products	4,135	1.1%	302	0.0%	—	0.0%
		Shampoo and Hair-care Products						
	Non-Chinese Herbal Essence Shampoo Series	15,429	3.9%	5,592	0.6%	13,240	0.9%	
	Non-Chinese Herbal Shower Products	3,181	0.8%	7,768	0.8%	36,789	2.6%	
	Others	2,440	0.6%	3,652	0.5%	4,791	0.3%	
	Subtotal	25,185	6.4%	17,314	1.9%	54,820	3.8%	
	Total	392,369	100.0%	921,680	100.0%	1,411,248	100.0%	

Note:

(1) Revenue contribution from Chinese herbal hair conditioners is accounted under the respective key series of products.

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Awards and Certificates

Our Group and our 霸王 (Bawang) brand have received a number of awards and certificates which include the following:

Year of grant	Award/Certificate	Awarding Body
2003	中華中醫藥學會推廣產品 (Recommended Product by China Association of Chinese Medicine) ⁽²⁾	中華中醫藥學會 (China Association of Chinese Medicine)
2004	中國化妝品最具消費競爭力品牌 (The Most Competitive Brand in the Consumption of Cosmetics in China) ⁽²⁾	中國香料香精化妝品工業協會 (China Fragrance and Cosmetics Industrial Association) 2004年中國(上海)國際美容化妝洗滌用品博覽會組委會 (The Committee of the 2004 China (Shanghai) International Beauty, Cosmetics and Cleansing Appliances Exhibition)
2005	2005中國第三屆洗滌、美髮、化妝品十佳品牌 (3 rd China Top 10 Brands for Cleansing, Hair Beauty and Cosmetics Products in 2005) ⁽²⁾	羊城晚報 (Yangcheng Evening News)
2006	第二屆中國化妝品行業十大影響力品牌 (2 nd China Top 10 Most Influential Brands in the Cosmetics Industry) ⁽²⁾	全國行業領先企業品牌推選組委會 (The Election Committee of the National Industry Leading Brand)
	2005-2006年湖南省消費者信得過品牌 (Trustworthy Brand in Hunan Province in 2005-2006) ⁽²⁾	湖南省消費者委員會 (Consumer Council of Hunan Province)
	廣州市著名商標證書 (Certificate for Famous Trademark of Guangzhou City) (valid until August 2009) ⁽²⁾	廣州市工商行政管理局 (Administration for Industry and Commerce of Guangzhou City)
	中國品牌建設十大優秀企業 (China's Top 10 Most Outstanding Brand Development Enterprises) ⁽³⁾	全國行業領先企業品牌推選組委會 (The Election Committee of the National Industry Leading Brand)
2007	中國馳名商標 (Well-known Trademark of China) ⁽²⁾	國家工商行政管理局 (State Administration for Industry and Commerce)
	廣東省著名商標 (Famous Trademark of Guangdong Province) ⁽²⁾	廣東省工商行政管理局 (Administration for Industry and Commerce of Guangdong Province)
	廣東省名牌產品 (Famous Branded Products in Guangdong Province) (valid until August, 2010) ⁽²⁾	廣東省質量技術監督局 (Quality and Technology Supervision of Guangdong Province)
	白雲區名牌戰略獎 (Strategic Famous Brand in Baiyun District) ⁽²⁾	廣州市白雲區人民政府 (People's Government of Guangzhou Baiyun District)

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Year of grant	Award/Certificate	Awarding Body
2008	中國中藥日化行業最具影響力第一品牌 (China's No.1 Most Influential Brand in the Chinese Herbal Daily-use Chemical Industry) ⁽²⁾	全國行業領先企業品牌推選組委會 (The Election Committee of the National Industry Leading Brand)
	中國中藥護理洗髮水最具公信力品牌 (China's Most Trustworthy Brand of Chinese Herbal Shampoo) ⁽²⁾	中國十大最具公信力品牌推舉組委會 (The Election Committee of China's Top 10 Most Trustworthy Brands)

Notes:

- (1) Each of the awarding bodies is independent from the Group and the Group has not commissioned any of them to conduct any survey, election or study.
- (2) Awards and certificates awarded to our 霸王 (Bawang) brand.
- (3) Award received by Guangzhou Bawang.

OUR PRODUCTS

Our products comprise three categories: (i) shampoo and hair-care products; (ii) skin-care products; and (iii) Other Products.

Shampoo and Hair-care Products

Our 霸王 (Bawang) brand is the leading brand in the Chinese herbal shampoo market in the PRC in terms of retail sales in 2006, 2007 and the first half of 2008, according to Euromonitor. During the Track Record Period, we sold our Chinese herbal shampoo and hair-care products under our 霸王 (Bawang) brand and we sold our non-Chinese herbal shampoo and hair-care products under our 麗濤 (Litao) brand. The following is a list of our key shampoo and hair-care products and product series:

Key Products/Key Product Series	Key Products and Year Launched	Product Unit Size	Sample Product Picture
霸王品牌 中草藥精華洗髮 精華素系列 (Chinese Herbal Essence Shampoo Series under the 霸王 (Bawang) brand)	烏髮固髮組方 (Hair-blackening and Strengthening Shampoo) (2006); 焗油養髮組方 (Nutrition Treatment Oil Shampoo) (2006); and 去屑止癢組方 (Anti-dandruff and Itch-relieving Treatment) (2006)	200 ml 400 ml 1,000 ml	
霸王品牌 育髮防脫洗髮液 (Anti-hair Loss and Regrow Shampoo under the 霸王 (Bawang) brand)	育髮防脫洗髮液 (Anti-hair Loss and Regrow Shampoo) (2005)	200 ml	
霸王品牌 烏髮快洗髮液 (Hair-blackening Shampoo under the 霸王 (Bawang) brand)	烏髮快洗髮液 (Hair-blackening Shampoo) (2005)	200 ml	

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Key Products/Key Product Series	Key Products and Year Launched	Product Unit Size	Sample Product Picture
<p>霸王品牌 天然植物洗髮液系列 (Natural Herbal Shampoo Series under the 霸王 (Bawang) brand)</p>	<p>皂角去屑天然植物洗髮露 (Chinese Honeylocust Plant Anti-dandruff Shampoo) (2007); 茶籽去屑天然植物洗髮露 (Tea-seed Anti-dandruff Shampoo) (2007); 首烏黑亮天然植物洗髮露 (Polygonum Hair-blackening Shampoo) (2007); 人參養潤天然植物洗髮露 (Ginseng Nourishment Shampoo) (2007); 銀杏柔順滋養去屑洗髮露 (Ginkgo Nourishment Shampoo) (2007); and 薑汁怡神去屑洗髮露 (Ginger Anti-dandruff Relaxation Shampoo) (2007)</p>	<p>200 ml 400 ml 750 ml</p>	
<p>霸王品牌果酸系列 (Fruit Acid Series under the 霸王 (Bawang) brand)</p>	<p>皂角首烏焗油洗髮精華素 (Chinese Honeylocust and Polygonum Fruit Acid Oil-bearing Shampoo) (1998); and 果酸首烏焗油洗髮精華素 (Fruit Acid Polygonum Shampoo) (1998)</p>	<p>200 ml 400 ml 1,000 ml</p>	
<p>霸王品牌 中草藥處方系列 (Chinese Recipe Series under the 霸王 (Bawang) brand)</p>	<p>薑汁首烏去屑洗髮精華素 (Ginger Polygonum Fruit Acid Nutrient Shampoo) (1999)</p>	<p>1,000 ml</p>	
<p>丽涛品牌 非中草藥精華 洗髮精華素系列 (Non-Chinese Herbal Essence Shampoo Series under the 丽涛 (Litao) brand)</p>	<p>丽涛維生素洗髮露系列 (Litao Vitamin Shampoo Series) (2004)</p>	<p>200 ml 400 ml 750 ml</p>	
<p>霸王品牌 中草藥護髮素 (Chinese Herbal Hair Conditioners under the 霸王 (Bawang) brand)</p>	<p>防脫育髮膏 (Anti-hair Loss Conditioner) (2005); 烏髮固髮潤髮膏 (Blackening and Strengthening Conditioner) (2005); 中藥精華修復焗油浸膏 (Hair-repair Treatment Conditioner) (2006); 中藥精華黑亮焗油浸膏 (Chinese Medicine Essence Hair-blackening Conditioning Cream) (2006); 中藥精華深層護理免蒸焗油膏 (Chinese Medicine Essence Deep Conditioning Stream-free Treatment Cream) (2006); 人參養潤天然營養修復精華髮膜 (Hair-repair and Nourishing Conditioner) (2007); and 首烏黑亮天然營養滋潤精華髮膜 (Nourishing and Blackening Conditioner) (2007)</p>	<p>218 grams 300 grams 500 grams</p>	


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We introduced a new series of Chinese herbal shampoo and hair-care products under our 追風 (Royal Wind) brand in May 2009. Below is a list of our 追風 (Royal Wind) branded shampoo and hair-care products and product series:

<u>Key Products/Key Product Series</u>	<u>Key Products and Year Launched</u>	<u>Product Unit Size</u>	<u>Sample Product Picture</u>
中草藥去屑洗髮液系列 (Chinese Herbal Anti-dandruff and Itch-relieving Shampoo Series)	去屑清涼冰爽洗髮露 (Anti-dandruff and Itch-relieving Hair Smoothing Shampoo) (2009); 去屑控油怡神洗髮露 (Anti-dandruff and Itch-relieving Nourishment and Repairing Shampoo) (2009); 去屑絲質柔滑洗髮露 (Anti-dandruff and Itch-relieving Treatment Shampoo) (2009); and 去屑滋潤修復洗髮露 (Anti-dandruff and Itch-relieving Refreshing Shampoo) (2009)	200 ml 400 ml 750 ml	
中草藥去屑護髮素系列 (Chinese Herbal Anti-dandruff and Itch-relieving Conditioner Series)	絲質柔滑潤髮精華素 (Hair-nourishing Conditioner) (2009); and 滋潤修復潤髮精華素 (Hair-repairing Conditioner) (2009)	200 ml 400 ml	
中草藥護髮產品系列 (Chinese Herbal Hair-care Product Series)	啫哩膏 (Hair Cream); 髮蠟 (Hair Wax); 營養水 (Hair Spray); 啫哩 (Hair Gel); and 彈力素 (Hair Moisturizer) (2009)	120 ml 220 ml 240 ml 120 grams 150 grams 220 grams 240 grams	

Skin-care Products



We market and sell our skin-care products under our 雪美人 (Smerry) brand. The following is a list of our key product series for our skin-care products:

<u>Key Products Series</u>	<u>Key Products and Year Launched</u>	<u>Product Unit Size</u>	<u>Sample Product Picture</u>
護膚產品系列 (Skin-care Products Series)	活泉淨白補水系列 (Mineral-spring Whitening and Moisturizing Series) (2004); 冰泉祛痘系列 (Ice-spring Acne-removing Series) (2004); and 草本潔淨保濕系列 (Botanical Cleansing and Moisturizing Series) (2008)	25 ml to 150 ml 50 grams to 120 grams 2 pieces or 6 pieces	

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Other Products

As part of our strategy to diversify our product portfolio, we market and sell Other Products under our 霸王 (Bawang) brand and 丽涛 (Litao) brand during the Track Record Period. The following is a list of our key Other Products:

<u>Key Products</u>	<u>Key Products and Year Launched</u>	<u>Product Unit Size</u>	<u>Sample Product Picture</u>
霸王品牌牙膏產品 (Toothpaste Products under the 霸王 (Bawang) brand)	中草藥牙膏 (Chinese herbal toothpastes) (2004)	125 grams	
丽涛品牌 非中草藥沐浴產品 (Non-Chinese Herbal Shower Products under the 丽涛 (Litao) brand)	沐浴及潔淨產品 (Shower and cleansing products) (2004)	1,000 ml 2,300 ml	

As advised by our PRC legal advisor, our products have complied with the relevant PRC safety laws and regulations.

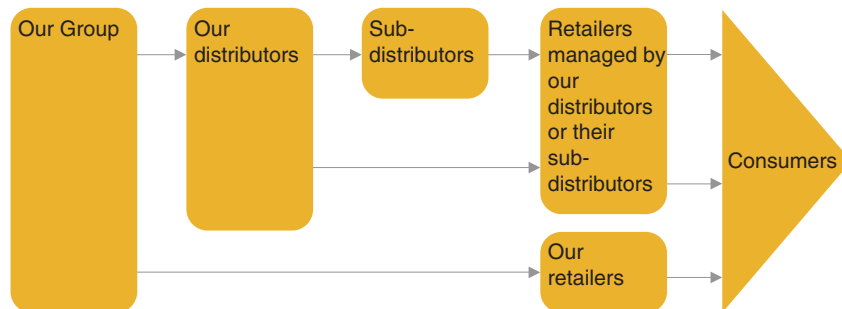
NEW PRODUCTS AND NEW PRODUCT SERIES UNDER DEVELOPMENT

In evaluating the market feasibility of a new product or a new product series, we evaluate consumer preferences, anticipate market demand and assess whether the new products or new product series will allow us to capitalize on the comparative advantages gained from our experience and strength. We generally focus our product development efforts on products with attractive margins, as well as those with the potential to help us to reach our revenue growth targets. The following is a list of our new products and new product series under development targeted at the medium and high end markets:

- Chinese herbal skin-care products
- Chinese herbal household cleansing products
- Chinese herbal shower products
- New series of Chinese herbal toothpaste

DISTRIBUTION AND RETAIL NETWORK

We generally sell our products through our distributors and retailers. Our distributors will then sell our products to their sub-distributors and/or their retailers. The following diagram illustrates our current distribution and retail model:



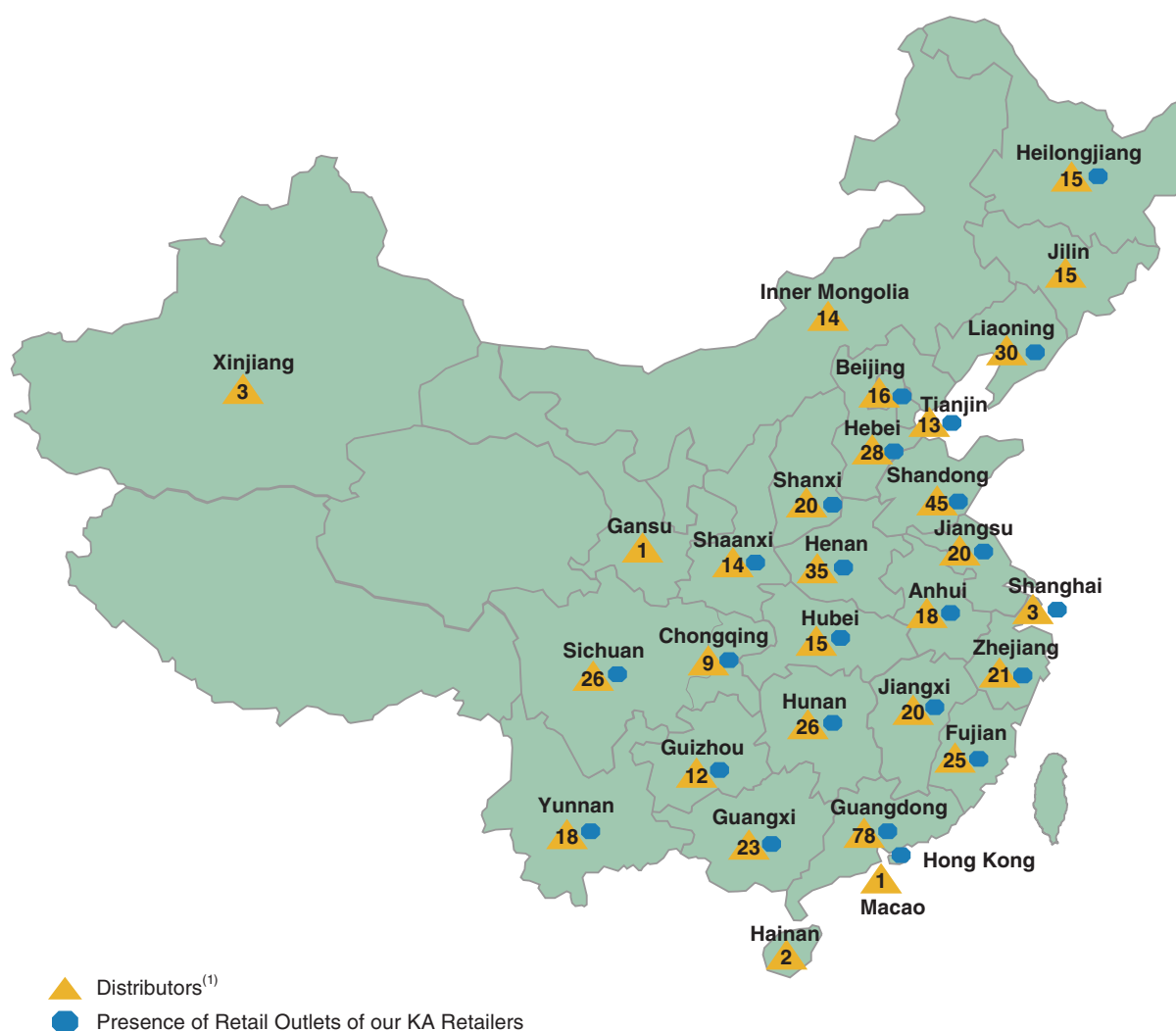
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The following table sets forth revenue generated through our distributors and retailers for the periods indicated:

Revenue	Year ended 31 December					
	2006		2007		2008	
	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue
Distributors	322,847	82.3%	779,462	84.6%	1,182,597	83.8%
Retailers	69,522	17.7%	142,218	15.4%	228,651	16.2%
Total	392,369	100.0%	921,680	100.0%	1,411,248	100.0%

Our five largest customers contributed in aggregate less than 30% of our total revenue for the years ended 31 December 2006, 2007 and 2008.

The following map sets forth the geographical distribution of our network of distributors and KA retailers in the PRC, Hong Kong and Macao as of 31 December 2008:



Note:

(1) We also sell products via a distributor in Singapore

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The following table sets forth the geographical coverage of our distributors for the years ended 31 December 2006, 2007 and 2008:

<u>Location</u>	<u>Number of distributors as of 31 December</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Southern Region ⁽¹⁾	108	135	128
Eastern Region ⁽²⁾	63	92	107
Northern & Northeastern Region ⁽³⁾	68	125	137
Central Region ⁽⁴⁾	87	99	96
Southwestern Region ⁽⁵⁾	33	55	65
Northwestern Region ⁽⁶⁾	15	24	32
Markets outside the PRC	—	—	2
Total	<u>374</u>	<u>530</u>	<u>567</u>

Notes:

- (1) Southern region includes Guangdong, Guangxi, Fujian and Hainan.
- (2) Eastern region includes Shanghai, Jiangsu, Zhejiang, Anhui and Shandong.
- (3) Northern & Northeastern region includes Beijing, Tianjin, Hebei, Shanxi, Heilongjiang, Jilin and Liaoning.
- (4) Central region includes Hubei, Hunan, Henan and Jiangxi.
- (5) Southwestern region includes Sichuan, Guizhou, Tibet, Yunnan and Chongqing.
- (6) Northwestern region includes Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang and Inner Mongolia.

Our Distributors

We primarily sell our products to our distributors, who then sell to their sub-distributors and/or their retailers. This sales channel allows us to increase our market penetration and launch new products to the market in a shorter timeframe. Our distributors are primarily engaged in the HPC product distribution business. The Directors confirmed that all of our distributors are independent third-parties.

We select our distributors based on the scale of their existing distribution networks, warehousing facilities, delivery capabilities, sales personnel, financial condition, creditworthiness and compatibility with our business strategies. We maintain flexibility in our distribution arrangements by, among others, selecting distributors with different market penetration in each defined district in the PRC. We adopt a policy of having at least two distributors in a defined district, one of which will sell our products to mid-to-large size retailers and the other distributor will sell our products to small-to-mid size retailers. We categorize these mid-to-large size and small-to-mid size retailers based on their revenue, the number of retail outlets in the district and the floor area of their retail outlets. We believe that our distribution model enables us to manage our distribution network more efficiently and effectively, minimize our risk in doing business in areas where we are less familiar and reduce our reliance on any one distributor. For the years ended 31 December 2006, 2007 and 2008, we had 374, 530 and 567 distributors, respectively. The net increase of our new distributors in 2007 was 156 and in 2008 was 37. We have maintained stable relationships with our top 50 distributors for an average of 4.6 years on a weighted average basis in terms of revenue in 2008.

In order to expand the coverage of our distribution network and deepen our product penetration, we adopt a policy whereby our sales representatives directly approach retailers who are not covered by our existing distribution network. We then assist our distributors, in particular new distributors, to establish relationships with these retailers from whom we obtain sales orders and these sales orders are then passed to our distributors in the same defined district. Our distributors are responsible for supplying our products to these retailers and providing them with logistical support which enables us to reduce logistic and warehousing costs. We believe that our distributors are incentivized to sell our products because of the continuing increase in demand for our products, strong recognition of our 霸王 (Bawang) brand and the support provided by our Group.

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As of the Latest Practicable Date, none of our Directors or their respective associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five per cent of our issued share capital, have any interest in any of our five largest distributors and we do not have any outstanding material disputes with our existing distributors.

Our five largest distributors contributed in aggregate less than 30% of our total revenue for the years ended 31 December 2006, 2007 and 2008.

Standard Distribution Agreement for distributors in the PRC

We generally enter into standard distribution agreements with our distributors in the PRC, which specify terms such as delivery, payment and returns policy. The standard distribution agreement has a term of one year and may be renewed by agreement. We set annual and monthly sales targets for our distributors based on their sales of similar HPC products in the location they are operating, their relevant experience, scale of their distribution networks and their historical sales record. We also set different levels of initial purchase and minimum purchase requirements for different distributors determined based on the location of the distributors and the consumer demands and affordability of the consumers in such locations.

We normally terminate or do not renew the distribution agreements with our distributors who failed to achieve their annual sales targets, sell counterfeit products or sell our products outside the defined district. The standard distribution agreement is terminable by either party upon giving of at least 10 days written notice to the other party. Upon termination of the distribution agreements, we may assist the terminated distributors to identify other suitable distributors to purchase their residual products. We have no contractual relationship with these terminated distributors nor the suitable distributors in respect of the sale and purchase of the residual products. The Group did not repurchase any of the residual products from our PRC distributors during the Track Record Period.

We offer discounts and/or rebates to our distributors who achieve certain percentages of their annual sales targets to enable them to gain a higher profit margins. For the years ended 31 December 2006, 2007 and 2008, the total discounts and rebates offered to our distributors amounted to RMB0.8 million, RMB8.3 million and RMB3.3 million, respectively. The fluctuation in the total discounts and/or rebates during the Track Record Period was due to the fluctuation in the number of distributors who were able to meet their annual sales targets and the different rates of discounts and/or rebates offered to our distributors.

We provide quality assurance to our distributors and generally allow them to return defective or unsold products. For details, please refer to "Sales Returns Policy" in this section of the prospectus.

Our Retailers

We have an established network of retailers in the PRC and Hong Kong. Our retailers consist of KA retailers and non-KA retailers who operate retail outlets in the PRC and Hong Kong selling mainly HPC products. The Directors confirmed that all of our retailers are independent third-parties.

We select and categorize our retailers based on their business scale, number of retail outlets, network coverage and their reputation. We generally set annual and monthly sales targets for our KA retailers based on their sales of similar HPC products in the location they are operating, their relevant experience, the number of their retail outlets and their historical sales records. For the years ended 31 December 2006, 2007 and 2008, we had 24, 36 and 46 KA retailers, respectively. The net increase of our new KA retailers in 2007 was 12 and in 2008 was 10. We maintain stable relationships with our KA retailers for an average of 3.6 years on a weighted average basis in terms of revenue in 2008.

We generally enter into merchandise contracts with our KA retailers for a term of one year which may be renewed by agreement. Some of our merchandise contracts specify annual target purchase

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volumes and the prices for the products. Some of our merchandise contracts are framework contracts and do not contain any annual target purchase volumes nor prices for the products. The merchandise contracts we enter into usually specify terms such as delivery, payment, discounts and/or rebates, promotion and returns policy. We generally do not set any initial purchase requirements or minimum purchase requirements for our retailers.

We offer different rates of discounts and/or rebates to our KA retailers and some of our non-KA retailers based on their sales volumes to enable them to gain higher profit margins. For the years ended 31 December 2006, 2007 and 2008, the total discounts and rebates offered to our retailers amounted to RMB2.3 million, RMB3.8 million and RMB19.4 million, respectively. The fluctuation in the total discounts and/or rebates during the Track Record Period was due to the fluctuation in the number of retailers who were able to meet their target purchase volumes and the different rates of discounts and/or rebates offered to our retailers. We may assist our retailers to identify other suitable retailers to purchase the residual products upon termination of the merchandise agreements. We have no contractual relationship with these terminated retailers nor the suitable retailers in respect of the sale and purchase of the residual products. The Group did not re-purchase any of the residual products from our retailers during the Track Record Period.

As of the Latest Practicable Date, none of our Directors or their respective associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five per cent of our issued share capital, have any interest in any of our retailers and we do not have any outstanding material disputes with our existing retailers.

Our five largest retailers contributed in aggregate less than 30% of our total revenue for the years ended 31 December 2006, 2007 and 2008.

Sales Outside the PRC

We launched our products in Hong Kong, Macao and Singapore in 2008. We sell our products directly to our retailers in Hong Kong. We sell our products to a local distributor in each of Macao and Singapore, who then sell to their sub-distributors and/or their retailers. For Macao, we entered into an exclusive distribution agreement for a term of 18.5 months, renewable for a further two years. Our Macao distributor is an independent third-party which operates a consumer products distribution business. We did not set any initial purchase and minimum purchase requirements for our Macao distributor. This distribution agreement provides that we must purchase residual products at an agreed price upon termination of the distribution agreement. The Group did not re-purchase any of the residual products from our Macao distributor during the Track Record Period. For Singapore, we entered into an exclusive distribution agreement with our Singapore distributor for a term of three years, renewable for a further three years. Our Singapore distributor, Hannah Holdings Pte. Ltd., is an independent third-party which operates a consumer products distribution business. We set initial purchase and minimum purchase requirements based on its operational experience and the expected demand and purchasing power of consumers in Singapore. This distribution agreement provides that we may purchase residual products at an agreed upon discount from the original sale price, among others, upon termination of the distribution agreement. The Group did not re-purchase any of the residual products from our Singapore distributor during the Track Record Period.

We expect to launch our products in Malaysia, Myanmar and Thailand in 2009. We have engaged local distributors in each of Malaysia, Myanmar and Thailand, who are independent third-parties. We intend to continue to expand our business into other markets outside the PRC such as Taiwan.

Sales Team

Our sales team largely consists of (i) sales representatives; and (ii) salespersons, also known as 霸王花 (Bawang Flowers).

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Our sales representatives are primarily responsible for approaching potential distributors and retailers, obtaining sales orders from those retailers as well as assisting our distributors to expand the coverage of their distribution network. Sales representatives generally hold meetings with our distributors and retailers on a regular basis and gather information from them including sales records and levels of inventory, which allow us to monitor their performance. Some of the sales representatives were directly employed by us and some of them were engaged through an independent third-party employment agency.

Our salespersons are primarily responsible for assisting retailers in carrying out marketing activities at their retail outlets. They also implement marketing plans formulated by our sales representatives at selected locations from time to time. Our salespersons conduct inspections at the retail outlets on a regular basis to monitor retail prices of our products set by our retailers.

We began to engage full-time and part-time salespersons through an independent third-party employment agency in 2007. As of 31 December 2007, we had 6,219 salespersons, of which 4,405 were part-time contract personnel. In September 2008, we engaged a marketing and promotional company, an independent third-party, to provide us with marketing and promotional services in the PRC, including assigning its staff to implement our marketing and promotion plans at retail outlets designated by us. After we engaged the marketing and promotion company, we ceased to engage salespersons through the employment agency. For the year ended 31 December 2008, our aggregate expenditure on the employment agency and the marketing and promotion company was approximately RMB132.1 million. We believe that by engaging an employment agency and a marketing and promotion company as opposed to directly employing sales representatives and/or salespersons enables us to reduce administrative costs, minimize our effort in personnel management and focus our resources in coordinating our marketing and promotional activities with greater flexibility, which ultimately allows us to remain as scalable and competitive as possible.

Management of our Distributors and Retailers

We collect and analyze data on the sales performance of our distributors and monitor their performance by requesting them to provide us with weekly sales reports. These reports contain information such as levels of inventory, sales volumes and a comparison of their purchase amounts with their annual sales targets. Our sales representatives conduct regular inspections on our distributors to ensure that they have sufficient levels of stocks and that our products are only sold to their sub-distributors and their retailers. Our salespersons also conduct inspections on the retailers managed by our distributors and/or their sub-distributors to help ensure that our products are ultimately sold to consumers.

We work closely with our retailers and some of them have granted us access to their real-time inventory and sales systems, which allows us to better monitor and obtain the latest information on our retailers in respect of sales volume and inventory levels at their retail outlets. In addition, our salespersons conduct on-site inspections at selected retail outlets on a daily basis and report back to our headquarters the daily sales and the inventory levels of those retail outlets to help ensure that they have sufficient levels of stocks and that our products are ultimately sold to consumers.

The Group has no ownership or management control over any of our distributors or retailers.

Pricing Policy

We sell our products to our distributors and retailers at uniform discounts from our suggested retail prices. We have a suggested retail price policy that applies to all our distributors and retailers to help maintain brand image, consistent pricing and prevent price competition among our distributors and retailers. In determining our pricing strategies, we take into account market supply and demand, production cost and the prices of our competitors' products. We monitor our distributors through our sales representatives to help ensure that they sell our products to their sub-distributors and/or retailers

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at our suggested retail prices and we assign our salespersons to monitor the retail prices of our products set by our retailers. We assess the information collected and engage in discussions with our distributors and retailers to ensure that they follow our pricing policy. We generally offer higher rates of discounts and/or rebates to our retailers who achieve certain percentage of their annual sales targets due to our ability to command higher selling prices by reducing intermediate distributors.

Payment Terms and Credit Control

We generally require our distributors to make payment to us before our products are delivered to them. We may provide revolving credit limits to our distributors on a case-by-case basis, depending on their estimated future sales, business scale and relationship history with us. We require our distributors to make payment when their payables exceed the revolving credit limits. We periodically review and adjust this credit limit based on our on-going relationship with our distributors, their ability to meet sales targets and their purchasing levels.

We generally grant a 30 to 90 days credit period to our retailers and some of our distributors, depending on their credit history, historical sales performance, annual purchase and accounts payable settlement targets, and we normally receive payment from them within 60 days after placing order.

Our finance and sales departments carry out regular reconciliations of outstanding receivables balances. Our management team regularly considers whether bad debt provisions are necessary. We did not have any bad debts in 2006. For the years ended 31 December 2007 and 2008, the amount of bad debts written off were RMB2.1 million and RMB1.9 million, respectively.

Sales Returns Policy

We generally permit our distributors to return defective products to us within one or three months from the delivery date of our products to their warehouses. We may allow our distributors to return unsold products to us within three or six months from the delivery date of our products to their warehouses at an agreed upon discount from the original sale price. We permit some of our retailers to return products due to quality defects and/or unsold products.

During the Track Record Period, we did not receive any material returns of unsold products from our distributors or retailers and we did not experience any material product returns or make any product recalls due to any quality defects, perceived product side effects or harmful chemicals or substances. We did not reduce our gross revenues to reflect any potential sales returns over the Track Record Period as we estimated that future returns by customers would not be material. We did not experience any material impairment to our inventories over the Track Record Period nor did we provide for any inventory impairment allowance during the Track Record Period due to sales returns. However, we did receive notifications from our distributors and retailers with respect to products with minor quality deviations that did not warrant a full exchange. These notifications did not result in any material disputes with our distributors or retailers during the Track Record Period. For further details regarding our revenue recognition policy for products subject to sales returns, please refer to the section headed "Financial Information – Revenue Recognition" of this prospectus.

MARKETING AND PROMOTION

Our marketing and promotion strategy has been an important component of our success. We adopt a multi-faceted marketing strategy to market and promote our brands and products. Our dedicated marketing and promotion team is responsible for the design and promotion of our brands and products and the formulation of our marketing strategies. We have implemented our marketing strategies through various channels including (i) television commercials and sponsorship of television programs (ii) advertising in newspapers, magazines, the Internet, public transportation, billboards, banners and kiosks; (iii) selecting suitable celebrities as our brand ambassadors; (iv) organizing in-store marketing activities and roadshows; and (v) attending Chinese herbal-related conferences.

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We place great emphasis on television commercials which are broadcast through various major television stations in the PRC, including China Central Television (CCTV), Guangzhou Television, Beijing Television and Shanghai Television, and outside the PRC, including Television Broadcasts Limited (TVB) and Asia Television Limited (ATV) in Hong Kong, and MediaCorp TV Singapore Pte Ltd. in Singapore. We strategically place our television commercials in different time slots to capture different consumer groups. We also sponsor television programs broadcast at prime times at selected television stations. We believe that this marketing strategy has a positive impact on the public image of our brands and products.

Since 2005, internationally renowned celebrity, Mr. Jackie Chan (成龍), who is known for, among other things, Chinese traditional martial arts, has been the image and brand ambassador for our 霸王 (Bawang) branded Chinese herbal shampoo and hair-care products. Our engagement of Mr. Jackie Chan (成龍) currently provides that he will continue to be the image and brand ambassador for our 霸王 (Bawang) branded Chinese herbal shampoo and hair-care products until 2012 and that such term can be extended subject to negotiation between the Group and Mr. Jackie Chan's (成龍) agent within three months prior to expiry of the current term. This engagement can be terminated if the Group fails to pay the service fee under such engagement.

We also selected Ms. Faye Wong (王菲), a renowned singer and actress in Asia, in 2009 as our image and brand ambassador for our 追風 (Royal Wind) branded Chinese herbal shampoo and hair-care products. Ms. Faye Wong (王菲) is also the image and brand ambassador of our new series of Chinese herbal skin-care products, which is expected to be launched in the PRC in the second half of 2009. Our engagement with Ms. Faye Wong (王菲) provides that she will continue to be the image and brand ambassador for our 追風 (Royal Wind) branded Chinese herbal shampoo and hair-care products and our new branded Chinese herbal skin-care products series until 2011 and such term can be extended subject to negotiation between the Group and Ms. Faye Wong's (王菲) agent on or about the expiry of the current engagement.

We have implemented strict requirements on our retailers with respect to the display and promotion of our products to ensure consistent brand recognition, the integrity of the image of our Group and satisfactory marketing results. We generally enter into product display agreements with our retailers with provisions to ensure compliance with our marketing strategies. We require our retailers to display our products according to our specifications and we assign salespersons to monitor the in-store display of our products at various retail outlets on a regular basis to help ensure that our retailers have followed our product display policy. Our distributors are required to procure their sub-distributors and retailers to follow our product display policy.

We often offer bundled packages with supplementary products to consumers. This marketing strategy allows consumers to experience some of our products which they may not have used before, which in turn attracts more consumers to purchase our products and increases our sales. We offer supplementary products which are compatible with the products purchased by consumers. For instance, a sample of our conditioner is included with purchases of our Chinese herbal shampoo.

We obtain market information by conducting in-store surveys on a regular basis, on average twice a month. In addition, we operate several customer service hotlines which allows our consumers to reflect their views on our products and services. We assess and analyze this information for the purpose of enhancing the quality of our products and services.

For the years ended 31 December 2006, 2007 and 2008, our total advertising and promotional expenditures amounted to approximately RMB84.8 million, RMB217.4 million and RMB339.0 million, respectively, which accounted for approximately 21.6%, 23.6% and 24.0% of our total revenue, respectively.

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Marketing and Promotional Activities

We strategically organize our marketing and promotional activities to give us brand and product exposure to the general public. The highlights of our recent marketing and promotional events are as follows:

<u>Year</u>	<u>Events</u>	<u>Description</u>	<u>Pictures</u>
2005	Brand ambassador	We engaged Mr. Jackie Chan (成龍) as image and brand ambassador for our 霸王 (Bawang) branded Chinese herbal shampoo and hair-care products	
2005 – 2009	Television commercials and sponsorship of television programs	We produced a series of television commercials for our 霸王 (Bawang) brand with certain slogans, such as “國貨當自強, 洗髮用霸王” (“Domestic goods dominate; wash hair, use Bawang”), which were broadcast on various television channels in the PRC, Hong Kong and Singapore. We also sponsored various television programs	
2005 – 2009	Print media	<p>We advertised our brands and products in various PRC and Hong Kong newspapers and magazines, such as:</p> <ul style="list-style-type: none"> • 消費日報 (Consumption Daily) (PRC) • 羊城晚報 (Yangcheng Evening News) (PRC) • 信息時報 (Information Times) (PRC) • 現代快報 (Xian Dai Kuai Bao) (PRC) • 廣州日報 (Guangzhou Daily) (PRC) • 消費者週刊 (Consumer Weekly Magazine) (PRC) • 家週刊 (Home Weekly Magazine) (PRC) • 美麗新時尚 (Modern Beauty) (PRC) • 東方日報 (Oriental Daily) (Hong Kong) • 太陽日報 (The Sun) (Hong Kong) • 蘋果日報 (Apple Daily) (Hong Kong) 	 

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<u>Year</u>	<u>Events</u>	<u>Description</u>	<u>Pictures</u>
2005, 2007, 2009	Press conferences for our new brands and products	We organized press conferences to promote our new brands and products	
2007	Chinese herbal-related conferences and seminars	We held Chinese herbal-related conferences and seminars	
2007 – 2009	In-store promotional activities	We set up promotional counters in hypermarkets, supermarkets and chain stores at various locations in the PRC to market and sell our products	
2008 – 2009	Roadshows	We organized roadshows to promote our brands and products at various locations in the PRC	
2008	Sponsorship of various functions	We sponsored various functions, such as a charity concert hosted by Mr. Jackie Chan (成龍)	
2009	Brand ambassador	We engaged Ms. Faye Wong (王菲) as our brand ambassador for our 追風 (Royal Wind) branded Chinese herbal shampoo and hair-care products	

RESEARCH AND DEVELOPMENT

Our research and development team focuses primarily on upgrading our existing products and developing new products by applying our extensive experience, know-how and technology. For the years ended 31 December 2006, 2007 and 2008, our research and development team comprised 14, 22 and 28 members, respectively.

A typical new product is developed as follows:



Our research and development team works closely with our marketing and promotion team to evaluate market trends and consumer preferences in order to determine a plan for our new product introductions.

Our product development process is market-oriented. We screen new projects by discussing ideas for new products based on the market research on consumer preferences to help ensure new products match consumer demand. Product samples are made after the underlying idea is approved. When the product samples have passed quality tests, trial products are produced at our production premises. These trial products are reviewed for possible commercial applications. We then offer trial products to consumers when they purchase our existing products. We obtain feedback from consumers on a regular basis to allow us to better understand their preferences and needs and upgrade our existing products and introduce new products to meet demand. After the trial period, we then formulate marketing strategies for the new products and proceed with mass production and product launch.

It usually takes 6 to 12 months from the time our research and development team begins discussion of new product ideas to the time we commence mass production of the new product. For the years ended 31 December 2006, 2007 and 2008, we developed and launched 18, 11 and 7 new products under our 霸王 (Bawang) brand, respectively.

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Our cooperations with a number of universities and an association in the PRC began in 2005 and 2007, respectively. We cooperate with these universities and an association on a project by project basis. We work closely with the professors and research fellows of these universities, who specialize in botanical science and Chinese medicine, to develop new techniques and know-how, such as essence extraction, and we cooperate with an association which provides us with technical support in the production of our Chinese herbal shampoo. A research project generally takes an average of two years from its preparation stage to the endorsement of the research results by the relevant PRC authorities and institutions. The cooperation agreements entered into between us and the universities/association stipulated that (i) the costs of the research and development projects are either borne by the Group or shared between the Group and the universities/association; (ii) any intellectual property rights derived from the cooperations are either owned solely by the Group or jointly owned by the Group and the universities; and (iii) we are entitled to receive all the profits generated from these technical achievements. As of 31 December 2008, no intellectual property rights derived from our cooperation with these universities or association was registered.

The following awards/certificates were obtained through the efforts of our cooperation with one of the universities.

Year of grant	Award/Certificate	Awarding Body
2008	廣州市白雲區2006-2007年度 科學技術進步獎三等獎 (2006-2007 Scientific Technical Advancement of Guangzhou Baiyun District, Third Prize)	廣州市白雲區人民政府 (People's Government of Baiyun District, Guangzhou)
2008	廣州市科學技術成果 (Scientific Technical Achievement of Guangzhou)	廣州市科學技術局 (Science and Technology Bureau of Guangzhou)

Our total expenditure for research and development amounted to RMB3.8 million for the year ended 31 December 2008. We intend to continue to invest our resources in research and development. We plan to establish a new research and development center with advanced equipment and to expand our team of specialists. The construction of our new research and development center is expected to be completed in 2010.

PRODUCTION PREMISES AND PRODUCTION CAPACITY

We manufacture all our products at our current production premises located in Baiyun District, Guangzhou, which we lease from Guangzhou Bawang.

The following table sets forth the number of production lines for our shampoo and hair-care products, skin-care products and Other Products, including average working hours, expected production capacity, actual production and utilization rate for the year indicated:

Type of Products	Year	Number of Production Lines	Average Working Hours per Day	Expected Production Capacity during the Year ⁽¹⁾ (metric ton)	Actual Production during the Year (metric ton)	Utilization Rate
Shampoo and Hair-care Products	2008	11	20	50,000	35,000	70.0%
	2007	8	14	26,000	20,000	76.9%
	2006	7	8	12,000	9,000	75.0%
Skin-care Products and Other Products	2008	6	12	18,500	6,800	36.8%
	2007	5	8	4,500	2,515	55.9%
	2006	5	8	4,500	1,300	28.9%

Note:

(1) The expected production capacity during the year is calculated on the basis of 22 days per month and 12 months per year.

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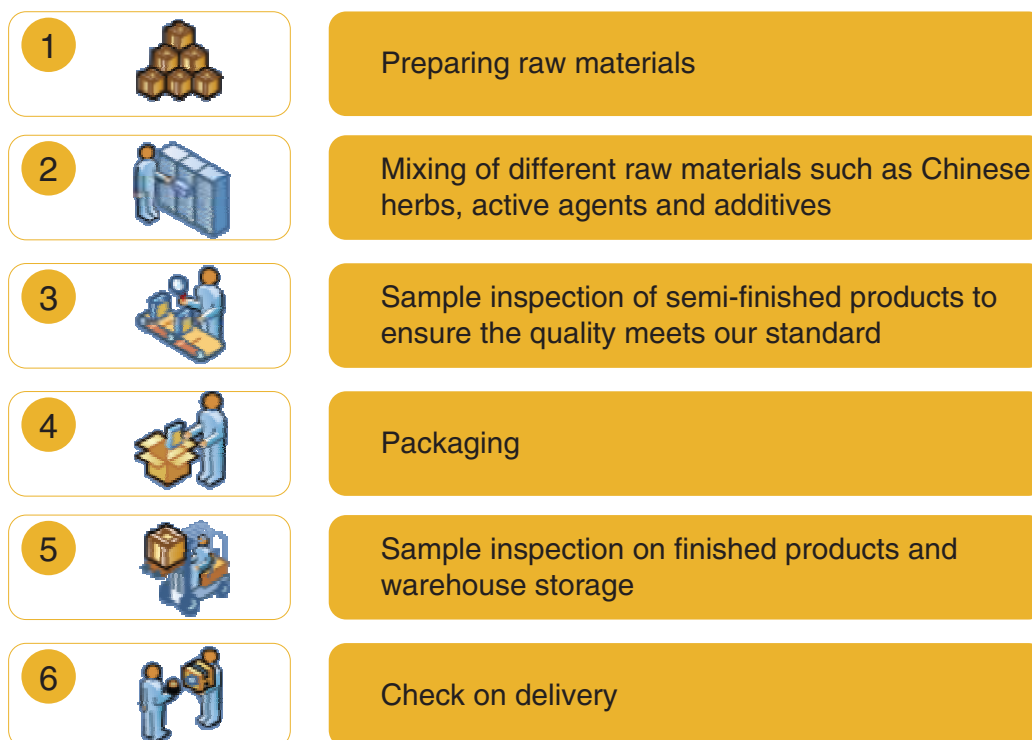
We generally operate our equipment in two shifts daily. We may operate in three shifts daily if necessary to meet increased order volume.

We believe that increasing our annual production capacity is essential to meet anticipated growing demand for our existing products and new products. We plan to lease a new production premises located in Baiyun District, Guangzhou with an estimated site area of approximately 75,000m² from Guangzhou Bawang. Guangzhou Bawang will be responsible for the construction costs of the new production premises and we will be responsible for the installation and fitting costs to ensure that the installation and fittings specifically meet our production requirements. Our new production premises will commence production upon completion of the first phase of construction, which is expected to be completed by the end of 2009 and we plan to install advanced equipment, increase our production lines and expand our labor scale. We estimate that our annual production capacity for shampoo and hair-care products will increase to approximately 100,000 metric tons (including 50,000 metric tons from our current production premises) by the end of 2009. All remaining phases of construction of the new production premises are expected to be completed by 2012. Our aggregate planned capacity for all HPC products is expected to be approximately 280,000 metric tons by 2012. We believe that the leasing of a new production premises will allow us to minimize investment in fixed assets and provide us with flexibility in our production scale if further expansion is required.

We will continue to lease our current production premises from Guangzhou Bawang until all phases of construction of the new production premises are completed by 2012. Pursuant to the production and office premises lease agreement and the supplemental agreement between the Group and Guangzhou Bawang, the Group can terminate the lease by giving one month's notice prior to the expiration of the term without paying any compensation.

TYPICAL PRODUCTION PROCESS

The following chart sets forth the typical production process for our shampoo and hair-care products:



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We participate in every stage of our production process, including (i) procuring and inspecting raw materials and packaging materials; (ii) monitoring and inspecting the herbal essence extraction process conducted by an external extraction processor; (iii) preparing and mixing raw materials; (iv) inspecting semi-finished and finished products to ensure quality meets our standards; (v) packaging of our products; (vi) delivering our products to our distributors and retailers; and (vii) monitoring the services provided by our warehousing service providers.

The total production time for (i) our typical shampoo and hair-care products is approximately five to seven days; (ii) our skin-care products is approximately seven days; (iii) and our Other Products such as toothpaste, is approximately three days.

QUALITY CONTROL

We place great emphasis on the quality of our products. We perform various quality inspection and testing procedures, including random sample testing at different stages of our production process, to ensure that our products comply with all applicable laws and regulations in the PRC as well as outside the PRC.

We obtained ISO9001:2000 certification for quality control of the design, development and production of our hair-care and skin-care products in 2007. These certifications demonstrate that our quality control system meets the standards of quality assurance and attest to the high quality of our products.

As of 31 December 2008, our quality control team comprised 18 members. Our quality control team closely monitors our production process, equipment and machinery. We have implemented a centralized system for procurement and inspection of raw materials and packaging materials to help ensure a stable high quality supply. We inspect our raw materials and packaging materials before their use in our production process. We perform routine product inspections on every batch of our products and sample testing to ensure consistent quality of our products, including semi-finished and finished products. Products in the warehouses are also subject to routine quality audits.

We implement a set of quantitative measurements on the quality and standards for our raw materials, in particular Chinese herbs. We collect samples of each type of Chinese herbs from our suppliers and identify one that meets our quality standards, known as our "Golden Sample", by reference to its elements, origin and specie. We then set our quality standard by reference to quantitative measurements gathered from the "Golden Sample". In order to maintain a consistently high quality of our Chinese herbs, we use the following instruments and techniques to analyze data collected from each batch of supplies and select only those which meet the quality standards of our "Golden Sample":

- Gas Chromatograph – an instrument used for separating and analyzing compounds in which the mobile phase is gas. It is commonly used in testing the purity of substances, separating mixtures of components and identifying compounds.
- High Performance Liquid Chromatograph – an instrument used for separating and analyzing compounds in which the mobile phase is liquid. It is commonly used in testing the purity of substances, separating mixtures of components and identifying compounds.
- UV-Visible Spectrophotometer – an instrument to quantitatively determine sample concentrations by measuring the degree of light absorption at specified wavelength(s) using different sources of light, such as ultra-violet and visible light. It can also be used for recording transmission/absorption spectra of samples, which helps in identification of materials.

We examine our packaging materials for their appearance, specifications, endurance and compatibility with our products to ensure consistent high quality.

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We assign our quality control staff to monitor and inspect the overall Chinese herbal essence extraction process conducted by an external extraction processor on a regular basis to help ensure that the Chinese herbal essence extracts are compatible with our product specifications and meet our quality standards. We follow our internal quality control standards in carrying out inspections at each stage of the Chinese herbal essence extraction process.

We perform regular equipment inspections in order to ensure our production lines perform at optimal levels. During the Track Record Period we did not experience any material or prolonged stoppages of our production due to equipment failure.

We have adopted a policy which requires all quality complaints to be dealt with promptly upon receipt. We have a dedicated team of after-sale service personnel to ensure prompt responses to customers' concerns and to provide them with solutions.

As of the Latest Practicable Date, we have not received any complaints about quality or safety issues from our consumers that would materially and adversely affect our business or our reputation.

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RAW MATERIALS, PACKAGING MATERIALS AND SUPPLIERS

Raw Materials

Our raw materials primarily consist of (i) Chinese herbs, such as polygonum (首烏), ginseng (人參), Chinese honeylocust (皂角), Chinese arborvitae (側柏葉) and euphorbia hirta (飛揚草); (ii) surfactant; (iii) coconut oil; and (iv) fragrance.

The following is a list of our key raw materials used in our key products and key product series:

<u>Key Raw Materials</u>	<u>Key Products/Key Product Series</u>
Polygonum (首烏)	<ul style="list-style-type: none">● Anti-hair Loss and Regrow Shampoo● Hair-blackening Shampoo● Chinese Herbal Essence Shampoo Series● Natural Herbal Shampoo Series● Chinese Herbal Hair Conditioners● Fruit Acid Series● Chinese Recipe Series● Chinese Herbal Anti-dandruff and Itch-relieving Shampoo
Ginseng (人參)	<ul style="list-style-type: none">● Chinese Herbal Essence Shampoo Series● Natural Herbal Shampoo Series● Chinese Herbal Hair Conditioners● Hair-blackening Shampoo● Chinese Herbal Anti-dandruff and Itch-relieving Shampoo
Chinese Honeylocust (皂角)	<ul style="list-style-type: none">● Chinese Herbal Essence Shampoo series● Natural Herbal Shampoo Series● Fruit Acid Series● Chinese Recipe Series● Chinese Herbal Anti-dandruff and Itch-relieving Shampoo
Chinese Arborvitae (側柏葉)	<ul style="list-style-type: none">● Anti-hair Loss and Regrow Shampoo● Chinese Herbal Hair Conditioners
Euphorbia Hirta (飛揚草)	<ul style="list-style-type: none">● Natural Herbal Shampoo Series
Surfactant, Coconut Oil and Fragrance	<ul style="list-style-type: none">● All shampoo and hair-care products and product series

We procure raw materials through our centralized procurement department. Except for the Chinese herbal essence extracts which we outsource to an external extraction processor, we directly purchase all our raw materials from our suppliers, who are independent third-parties. All our raw materials are readily available in the PRC, and we source most of our major raw materials from suppliers located in Guangdong province. All raw materials delivered by our suppliers to our warehouses are inspected before acceptance in accordance with our internal standards and those that fail to comply are returned to the suppliers. During the Track Record Period, we did not encounter any shortage of these raw materials.

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For the years ended 31 December 2006, 2007 and 2008, the total costs of our raw materials amounted to RMB114.3 million, RMB281.7 million and RMB293.4 million, respectively, which accounted for 68.6%, 66.6% and 57.6% of our total cost of sales, respectively.

Chinese Herbal Essence Extracts

The Chinese herbs that we purchase from our suppliers are required to undergo an essence extraction process before being used in our production. Prior to October 2007, we directly purchased Chinese herbal essence extracts from independent third-party suppliers in the PRC. Since then, we outsourced the Chinese herbal essence extraction process to 廣州市振隆藥業有限公司 (Guangzhou Zhenlong Pharmaceutical Co., Ltd.) (“**Guangzhou Zhenlong**”), an independent third-party engaged in the Chinese herbal essence extraction business in the PRC for over 20 years with an established customer base, including certain sizable state-owned enterprises in the PRC. We select our external extraction processor based on its product quality, production facilities, industry experience and whether it has obtained the requisite operating licenses. We assign our quality control staff to monitor and inspect the overall Chinese herbal essence extraction process to help ensure that the Chinese herbal essence extracts are compatible with our product specifications and meet our quality standards. Pursuant to the Chinese herbal essence extraction agreement entered into between us and Guangzhou Zhenlong, we agreed to supply raw materials, such as Chinese herbs, and certain technical know-how, developed and owned by us, to Guangzhou Zhenlong and Guangzhou Zhenlong agreed to perform the Chinese herbal essence extraction process with its own production facilities and labor force. Such agreement also includes a confidentiality clause which prohibits any leakage or unauthorized use of our technical know-how by Guangzhou Zhenlong. The agreement is for a term of 18 months commencing 1 October 2007 and was renewed for further term of one year. For the years ended 31 December 2007 and 2008, our total expenditures on outsourcing of Chinese herbal essence extraction were RMB0.03 million and RMB0.9 million, respectively. We believe that engaging an external extraction processor allows us to focus our resources on our core business and reduces capital investment and costs as compared to purchasing Chinese herbal essence extracts directly from suppliers. We also believe that alternative qualified herbal essence extraction processors are readily available in the market, and we may substitute this extraction processor with alternative extraction processors if it fails to meet our requirements.

Packaging Materials

Our product packaging is important in maintaining our brand image. Our packaging materials primarily consist of paper boxes, plastic bottles and labels. We purchase our packaging materials from our suppliers in the PRC, except for some plastic bottles which we produce at our production premises. For the years ended 31 December 2006, 2007 and 2008, the costs of our packaging materials were RMB40.7 million, RMB112.5 million and RMB160.2 million, which accounted for 24.4%, 26.6% and 31.5% of our total cost of sales, respectively.

Suppliers

We adopt a stringent selection process in choosing our suppliers. We investigate the market for suitable suppliers, then make a preliminary selection of candidates, who are then required to provide relevant production licenses and submit samples to us. After examination of the samples, we conduct site visits to evaluate the production facilities and quality control systems of the potential suppliers. We then make a final decision based on the site evaluation and contract terms of the supplier. We generally evaluate our suppliers once a year to ensure that we retain quality suppliers and discontinue the use of unqualified suppliers. We normally enter into fixed price supply agreements with our suppliers on an annual basis. Raw materials supplied by our suppliers are delivered to us at their own cost and risk.

We adopt a policy of having at least two suppliers for each principal raw material. If there is only one supplier for any type of raw material, then we strive to ensure that there are suitable alternative raw materials. We believe that this policy enables us to minimize the risk of supply shortage and allows us to benefit from the lower cost of supplies due to competition among the suppliers.

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Our suppliers give us credit periods of 30 to 90 days in most cases. We generally pay within 30 days from the date of invoice. Our suppliers offer us discounts of 0.5% to 2.0% on our purchase prices for each order if we pay 30 days before the expiry of the credit term. Some suppliers offer us rebates of 1.0% to 3.0% of our annual purchases.

For the years ended 31 December 2006, 2007 and 2008, the aggregate purchases from our five largest suppliers amounted to RMB83.2 million, RMB151.9 million and RMB166.6 million, respectively, representing 41.7%, 43.1% and 35.7% of our total purchases of raw materials and packaging materials, respectively, and the aggregate purchases from our largest supplier of each year amounted to RMB26.6 million, RMB77.2 million and RMB79.0 million, respectively, representing 13.3%, 21.9% and 16.9% of our total purchases of raw materials and packaging materials, respectively.

None of our Directors or their associates, and none of our existing shareholders who (to the knowledge of our Directors) own more than five per cent of our issued share capital, have any interest in any of our five largest suppliers. As of the Latest Practicable Date, we do not have any outstanding material disputes with our existing suppliers.

INVENTORY AND WAREHOUSING

Our inventories consist primarily of raw materials, packaging materials, semi-finished products and finished products. Our inventory levels vary according to the demand of our customers, sales and production plans and our logistics resources.

All our products are sold on a first-in-first-out basis. To minimize the risk of building up inventory, we regularly review our inventory levels. We also carry out physical stock counts from time to time to identify expired or damaged goods. During the Track Record Period, we did not experience any shortage of inventory.

We require our distributors and retailers to provide us with inventory and sales reports and we conduct random on-site inspections to track their inventory levels. In addition, some of our retailers have granted us access to their real-time online systems which allow us to monitor and obtain the latest information on their inventory levels of our products. The purpose of tracking their inventory levels is mainly to gather information and data regarding market acceptance of our products, the performance of our distributors and retailers and to ensure that our products meet consumer demand. This information also provides us with information regarding market recognition of our products in a particular district so that we can realign our marketing strategy, if necessary. This information also assists us, our distributors and retailers in determining the amount and frequency of delivery of our products and, if necessary, we can coordinate with our distributors and retailers to reallocate products to meet demand.

We store all our raw materials and some of our packaging materials, semi-finished goods and finished goods in our production premises and warehouses. We also engage independent third-party warehousing service providers in the PRC and Hong Kong, who have many years of experience in the warehousing industry, to store and manage parts of our inventory. We assign our staff to conduct site visits at the warehouses of the warehousing service providers on a regular basis to ensure that our inventories are properly and safely stored. For the years ended 31 December 2006, 2007 and 2008, 92.5%, 96.9% and 44.5% of our total inventories were stored at our production premises, respectively. The significant decrease in inventory stored at our production premises for the year ended 31 December 2008 was due to the outsourcing of our inventory storage to external warehousing service providers.

For the years ended 31 December 2006, 2007 and 2008, our inventory accounted for 32.1%, 8.1% and 8.4% of our total current assets, respectively, while our average inventory turnover days* were 134, 54 and 34, respectively.

Note:

* Calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for the period, multiplied by 365 days for a year in respect of periods indicated.

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LOGISTICS

We outsource our product transportation in the PRC to independent third-party logistics companies (except for the Pearl River Delta region which we deliver our products directly to our distributors and retailers using our own vehicles) who bear the risks associated with the delivery of our products. We engaged more than 10 external logistics companies to deliver our products to our distributors and retailers. All our products are delivered by truck from our production premises to the warehouses of our distributors and retailers in the PRC and we bear the entire delivery cost.

For distribution in Hong Kong, we deliver all our products by truck from our production premises to the warehouse of an independent third-party logistics company in Hong Kong, for which we bear the entire delivery cost, and the logistics company is responsible for the delivery of our products to our retailers in Hong Kong. For Singapore, our products are delivered from our production premises to the designated port in the PRC by truck for which we bear the cost of transportation. Our products are then delivered to our Singapore distributor by ship for which our Singapore distributor bears the transportation cost from the designated port in the PRC to its warehouses.

During the Track Record Period we did not experience any material disruption in the delivery of our products.

We have stringent criteria for the selection of our logistics companies, such as scale and track record. We require them to have a distribution network that is compatible with ours. We also evaluate the credentials and performance of our logistics companies on a monthly basis and terminate those with unsatisfactory services. This outsourcing arrangement allows us to reduce our capital investment and reduce the risk of liability for transportation accidents, delivery delays or loss.

As of Latest Practicable Date, we have not suffered any loss or paid any compensation as a result of delays in delivery or poor handling by the logistic companies.

INFORMATION TECHNOLOGY SYSTEM

We acquired and installed an enterprise resource planning system, or ERP system, in the first half of 2008. The ERP system consists of six modules: procurement management, inventory management, sales management, accounts receivable, accounts payable, and general ledger.

The implementation of our ERP system enables us to standardize many aspects of our operations, including product codes and names, classification of our raw materials, raw material suppliers, customers, accounting systems and operational processes. The real-time ERP system provides us with the latest information to facilitate inventory control, order checking, customer services and financial conduct, thereby enhancing management and operational efficiency.

During the Track Record Period, we did not experience any material delivery delays or make any material defective/substandard product replacements due to the failure or breakdown of our information technology system.

CUSTOMER SUPPORT

We are fully committed to maintaining a high standard customer management system and have obtained ISO9001: 2000 accreditation. We have also adopted a service standards manual which we require our staff to follow. The manual emphasizes our focus on excellent customer service.

We operate several customer service hotlines to handle general service inquiries. We also provide customer service and support through email communications.

Our customer management database system is an important tool in our management of customer relationships as well as customer data, including customers' personal information, purchase,

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complaints, history and preference records. With the customer management database system, our call operators can access relevant information about the calling customer. We believe that our customer management database system provides a strong platform to analyze and utilize the data we collect, and helps in our efforts to enhance customer relationships and loyalty.

COMPETITION

We face competition from both international and domestic brands in the HPC product market in areas where we sell our products. Market participants in the HPC product market in the PRC generally compete in, among other things, brand recognition, business scale, research and development capability, market positioning, product variety, product quality, marketing and promotion, price and the ability to respond to customers' needs and preferences. Although our products might have limited operating history when compared to some of the long-standing and well-recognized international brands which have larger market shares, we have opened up and captured new market share through the unique positioning of our products, particularly positioning our own branded shampoo and hair-care products as Chinese herbal HPC products. As such, we believe that we are uniquely and well positioned in the shampoo and hair-care products market in the PRC.

Chinese consumers are becoming increasingly health conscious which has led to an increase in demand for Chinese herbal HPC products in recent years. This attracts more enterprises to enter into the Chinese herbal shampoo and hair-care products market. We believe that we have a competitive advantage over our direct competitors in the Chinese herbal shampoo and hair-care products market in the PRC through our leading market position, well-recognized brand, high-quality products, established nationwide network of distributors and retailers, strong and effective marketing and promotion strategies and our ability to respond to market needs in a timely manner.

EMPLOYEES

For the years ended 31 December 2006, 2007 and 2008, we had 890, 7,919 and 2,982 staff (including our employees and contract personnel), respectively, of which 874, 7,552 and 2,357 were contract personnel engaged through an independent third-party employment agency, respectively. The following table sets forth a breakdown of our employees by function as of 31 December 2008:

<u>Division</u>	<u>Number of Employees</u>
Sales and Marketing	267
Production and Logistics	135
Corporate Administration and Human Resources Management	79
Planning, Promotion and Publicity	60
Finance, Accounting and Internal Audit	56
Research and Development	28
Total	625

We periodically engage a substantial number of contract personnel through an employment agency on an as needed basis to help with our operations including production, research and development and marketing and promotional activities.

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The following table sets forth a breakdown of the contract personnel we engaged through an employment agency during the Track Record Period by function:

<u>Division</u>	<u>Number of Contract Personnel As of 31 December</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Sales and Marketing	56	—	2
Production and Logistics	23	—	3
Corporate Administration and Human Resources Management	17	—	—
Planning, Promotion and Publicity	31	—	—
Finance, Accounting and Internal Audit	27	—	1
Research and Development	12	—	—
Sales Representatives	370	462	1,023
Salespersons – Full-time	—	1,814	—
Salespersons – Part-time	—	4,405	—
Production Workers	338	871	1,328
Total	<u>874</u>	<u>7,552</u>	<u>2,357</u>

Our total staff costs for the years ended 31 December 2006, 2007 and 2008 were RMB15.6 million, RMB79.2 million and RMB170.7 million, respectively, which accounted for 4.0%, 8.6% and 12.1% of our total revenue, respectively. During the Track Record Period, the increase in total staff costs was mainly due to the increased use of salespersons for promotional activities. We ceased to engage all salespersons through an employment agency after we engaged a marketing and promotion company in September 2008, which led to the significant decrease in the total number of contract personnel from 2007 to 2008.

We provide training to our staff on a regular basis to enhance their technical and product knowledge including industry quality standards, safety standards, customers sales skills and our sales model. We arrange for external trainers to provide training to our staff at our production premises and we also arrange for our staff to attend external training.

Our management actively participate in the evaluation of our staff and provide timely performance feedback. We adopt a performance-based incentive scheme for all our employees.

We contribute to social insurance scheme, housing fund and certain other employee benefits in accordance with PRC laws and regulations. According to a letter issued by the Bureau of Labor and Social Security of Baiyun District, Guangzhou (廣州市白雲區勞動和社會保障局) on 30 September 2008, there are no outstanding payments for social insurance due and we have complied with the labor law, regulations and policies.

As advised by our PRC legal advisor, the employment agency holds the relevant valid permits, and the agreements entered into between Bawang Guangzhou and the employment agency in relation to labor outsourcing are legal and effective. Pursuant to these agreements, the employment agency is responsible for the social insurance for its staff. According to the PRC Labor Contract Law, which became effective on 1 January 2008, we may be jointly liable if the employment agency fails to comply with all applicable labor laws and any relevant requirements relating to contract personnel as well as if it infringes the interest(s) of the contract personnel who provide services to us. However, if Bawang Guangzhou pays any social insurance for outsourced staff which the employment agency has failed to pay, Bawang Guangzhou shall have the rights to require the employment agency to assume the default liabilities in accordance with the agreements. According to the certificates issued by 從化社會保障基金管理中心 (Conghua Social Insurance Fund Management Centre) and 廣州市白雲區勞工及社會保障局 (Guangzhou Baiyun District Labor and Social Protection Bureau) both the employment agency and Bawang Guangzhou have paid the social insurances in accordance with the PRC laws and regulations.

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We maintain good working relationships with our staff. We believe that our management policies, working environment and staff development opportunities and benefits have contributed to building good staff relations and retention. As of the Latest Practicable Date, we have not experienced any strikes or any labor disputes with our staff which have had a material effect on our business.

INTELLECTUAL PROPERTY

Our intellectual property rights and domain names associated with our brands are of fundamental importance to our business since we rely to a significant extent on customers' recognition of our brands.

As of the Latest Practicable Date, we had 249 registered trademarks, 96 applications for trademark registration, three applications for patent registration, three registered designs and five applications for registered designs in the PRC and outside the PRC, of which 197 registered trademarks and 27 applications for trademark registration are pending transfer approval. From 2006 to 2008, a total of 214 registered trademarks, 90 applications for trademark registration, and two registered designs were assigned to Bawang Guangzhou pursuant to the trademark assignment agreements which subject to the completion of registration procedures.

We undertake a pro-active approach to manage our intellectual property portfolio. We undertake defensive registrations of our trademarks in additional categories where it is reasonably foreseeable that the trademark may be used for our products in the future. Registration of intellectual property rights is usually made by our agents. We take action immediately upon becoming aware of a potential infringement of our trademarks.

All formulae used in the production of our products were initially developed by Mr. Chen and Ms. Wan and were transferred to us at nil consideration. We have not obtained any patents for our formulae. We have not made any applications for patents for our formulae because patent registration in the PRC involves publication of the details of the formulae. We believe that such disclosure would provide our competitors with details of our formulae and would therefore enable them to imitate our production methods or refine their own production. We have a policy of strict segregation of duties among personnel involved at the different stages of our production process. We have entered into confidentiality agreements with our senior management and production personnel who have access to all or part of our formulae.

Bawang Guangzhou entered into trademark assignment agreements with Guangzhou Bawang on 22 June 2008 and 25 August 2008, respectively, pursuant to which Guangzhou Bawang agreed to assign all its 霸王 (Bawang) trademarks and trademark applications, which are registered or filed in the PRC, to Bawang Guangzhou at nil consideration and Bawang Guangzhou will, except for those 霸王 (Bawang) trademarks to be used in the Group's business, transfer or license back the registered 霸王 (Bawang) trademarks to Guangzhou Bawang, solely for the use in connection with the businesses of Guangzhou Bawang, which are non-HPC product related, on a royalty-free and perpetual basis. The trademark assignment agreements contain an indemnity provision whereby Guangzhou Bawang will indemnify Bawang Guangzhou for any quality problems in products or provision of services offered by Guangzhou Bawang as a result of using the 霸王 (Bawang) trademarks. In addition, we have the right to request Guangzhou Bawang to cease production of any of its products or the provision of any services provided by Guangzhou Bawang which uses our 霸王 (Bawang) trademarks.

As of Latest Practicable Date, we are not aware of any proceedings concerning, and are not aware of any material claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent.

For details of the intellectual property, please refer to the section headed "Further Information about Our Business – Our intellectual property rights" in Appendix V to this prospectus.

COUNTERFEIT PRODUCTS

We are aware that certain counterfeit products bearing our 霸王 (Bawang) brand exist in the PRC market. We investigate counterfeit products in the market through our own department responsible for overseeing counterfeit products and infringement of our intellectual property and information provided by our distributors and retailers. Where appropriate, we inform and cooperate with relevant PRC government authorities, such as the local branch of the State Administration for Industry and Commerce and Public Security Bureau, of the existence of such counterfeit goods and request appropriate actions to be taken to protect us, including the confiscation or destruction of the counterfeit products, imposition of fines and commence proceedings against the counterfeiting party. We have also added counterfeit-prevention labels on our products and conducted on-site inspections at selected location. During the Track Record Period, the Group has made report to relevant PRC government authorities information on counterfeit products and appropriate action was taken by the relevant PRC government authorities, including confiscation of counterfeit products and imposition of fines. We will continue to take appropriate actions to defend our intellectual property and our products against possible infringements. The Directors confirmed that there was no material adverse impact by counterfeit products on the Group during the Track Record Period.

REAL ESTATE

As of 30 April 2009, we leased one property (with an aggregate area of 16,735 m²) as our production premises and office premises from Guangzhou Bawang for a term of three years commencing 4 December 2007. This lease agreement was entered into on normal commercial terms through arms-length negotiations. Jones Lang LaSalle Sallmanns Limited, the independent property valuer of the Group, has reviewed our lease agreement and confirmed that the rent payable by us to the Guangzhou Bawang is in line with market rates. For details, please refer to the sections headed "Connected Transactions" in this prospectus and "Property Valuation" in Appendix III to this prospectus.

ENVIRONMENTAL MATTERS

We seek to conduct our business without adversely affecting the environment. We have an environmental management policy covering all waste streams and production cycles. We obtained ISO14001:2004 environmental management certification in 2007 and we follow those guidelines and standards at our production premises. We strongly emphasize pollution management and control procedures, including plant operation and maintenance procedures and training of our personnel. Our personnel have extensive experience in the production HPC product industry in the PRC. They are familiar with industry standards and applicable laws and regulations in relation to environmental protection. Waste water is the primary waste from our production process. We segregate, measure and route our wastes, and we attempt to reduce, reuse or recycle such waste where practicable. Waste water is treated through an aerating process and sedimentation using the waste water processing equipment at our production premises before being discharged.

Our production is supervised by the provincial level of the PRC environmental protection authority. The authority has the power to take action against companies that fail to comply with applicable environmental regulations, including imposition of fines and revocation of licenses.

According to a letter issued by 廣州市白雲區環境保護局 (Environmental Protection Bureau of Baiyun District Guangzhou), the construction projects of Bawang Guangzhou have complied with the applicable PRC environmental protection laws and regulations. Bawang Guangzhou had no environmental pollution accident or any breach of environmental laws and regulations and there have been no fines imposed against Bawang Guangzhou by the authorities in charge of environmental protection since the establishment of Bawang Guangzhou.

The inspection report (雲監2009第30號) issued by 廣州市白雲區環境監測站 (Guangzhou Baiyun environmental inspection station) indicates that Bawang Guangzhou's production is in order, the

BUSINESS

equipment of sewage protection works and the emission of liquid waste complies with government standards.

As advised by our PRC legal advisor, based on the above, the Group's production process has complied with the applicable PRC environmental laws, regulations and policies.

The Directors are of the view that the annual cost of compliance with applicable PRC environmental laws, regulations and policies was not material during the Track Record Period.

As of the Latest Practicable Date, we have not been subject to any fines or legal actions involving non-compliance with any applicable environmental regulations in the PRC and we did not have any threatened or pending action by any environmental regulatory authority in the PRC.

SAFETY

To ensure that our production facilities comply with applicable safety standards, we have established a safety management team which carries out regular safety inspections on our production facilities. All equipment is required to be thoroughly tested and certified by the safety department before commencement of production. All operators of equipment are required to be well trained before they are allowed to operate equipment. Training sessions are provided on the required safety and hygiene standards. During the Track Record Period, we have not experienced any material or prolonged stoppages of production due to equipment failure and we have not experienced any major accidents during our production process. We are not aware that any toxic substances produced during the production process has caused personal injuries.

As of the Latest Practicable Date, our production facilities complied with all applicable laws, regulations and standards and we have obtained all necessary licenses in relation to safety.

INSURANCE

We provide social insurance for our employees including insurance for retirement, unemployment, sickness and injury, as required by the PRC social security regulations. We believe that our insurance coverage is adequate for our operations. Since it is not required by PRC law, and consistent with the usual industry practice in the PRC, we do not carry any business interruption or product liability insurance or third-party liability insurance. We carry general product liability insurance in Hong Kong and Singapore to cover any claims for injury or damage caused by the use of our products or anyone coming into contact with our products. Please refer to the section headed "Risk Factors – Risk Relating to Our Business – Our insurance coverage may not completely cover the risks related to our business and operations" of this prospectus.

As of the Latest Practicable Date, we have not made or been the subject of any insurance claims which are material to the Group.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, we have no legal, administrative or arbitration proceedings, pending or threatened against us that had a material adverse effect on our financial condition or results of operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and Capitalization Issue, the Controlling Shareholders will together control the exercise of voting rights of 75% of the Shares eligible to vote in a general meeting of our Company (assuming the Over-allotment Option is not exercised). In addition to their interests in our Company, Mr. Chen and Ms. Wan, two of our Controlling Shareholders and executive Directors, also had an interest in Guangzhou Bawang (the “**Retained Business**”) as of the Latest Practicable Date which held interests in our business and ceased to hold such interests after the Reorganization.

The Retained Business consists of those businesses that are not related to the business of our Group, including property development, hotel and printing businesses.

Our Directors are of the view that there is a clear delineation between the Retained Business and our Group’s business, as a result of which, none of the Retained Business (i) engages in any business relating to our Group’s business; or (ii) would compete, or is expected to compete, directly or indirectly, with our Group’s business. The exclusion of the Retained Business from our Group is in line with our business strategy.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (together, the “**Non-competing Covenantors**”) entered into a deed of non-competition (the “**Non-competition Deed**”) on 22 May 2009 in favor of our Company, pursuant to which each of the Non-competing Covenantors have jointly and severally undertaken to our Company (for itself and for the benefit of its subsidiaries) that he/she/it would not, and would procure that his/her/its associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, partnership or other economic or non-economic association, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee, trustee or otherwise) any business in the PRC or elsewhere in the world which is or may be in competition with our business, and any other business which any member of our Group may undertake from time to time after the listing of our Shares (the “**Restricted Business**”). Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third-party any Restricted Business has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third-party, or (ii) terms for our Company to engage in the Restricted Business with the Non-competing Covenantors (or any of them) and/or on their associates, and our Company, after review and approval by the independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third-party or together with Non-competing Covenantors (or any of them) and/or their associates, provided that the principal terms by which any Non-competing Covenantor (or his or her relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favorable than those disclosed to our Company; or
- (b) having interests in the shares of a company where shares are listed on a recognized stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by the Non-competing Covenantors and/or their respective associates in aggregate does not exceed 5% of the total issued shares of that class of the company in question and such Non-competing Covenantors and/or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Non-competing Covenantors and their respective associates in aggregate.

If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Non-competing Covenantors and/or their associates (or any of them, as the case may be), pursuant to (a) above, the Non-competing Covenantors and/or their associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Non-competing Covenantors and/or their associates (or any of them, as the case may be).

The “restricted period” stated in the Non-competition Deed refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) in relation to each Non-competing Covenantor, he/she/it or his/her/its associate holds interest in our Company; and (iii) the relevant Non-competing Covenantors and/or their respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

None of our Controlling Shareholders or any of our Directors has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our Group’s business.

CORPORATE GOVERNANCE MEASURES

The Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from the competing business and to safeguard the interests of the Shareholders, including:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Controlling Shareholders under the Non-competition Deed;
- (ii) the Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Deed;
- (iii) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the undertaking of the Controlling Shareholders, including decisions reached in respect of first rights of refusal referred to in paragraph (a) under “Non-Competition Undertaking” above under the Non-competition Deed in the annual reports of our Company;
- (iv) the Controlling Shareholders will make an annual confirmation on compliance with their undertaking under the Non-competition Deed in the annual report of our Company;
- (v) we believe that our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong element on the Board that can effectively exercise independent judgment. Mr. Ngai Wai Fung has extensive experience in serving as an independent non-executive director of listed companies in Hong Kong and extensive experience in the accounting field. With expertise in different professional fields, the Directors believe that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that conflicts of interest between our Group and the Controlling Shareholders and their Retained Businesses arise;
- (vi) in the event that potential conflicts of interest may materialize, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

an interest in the relevant transaction(s) will not be present at the relevant board meeting, and will be excluded from the board deliberation and abstain from voting and will not be counted towards quorum in respect of the relevant resolution(s) at such board meeting;

- (vii) in the event that potential conflicts of interest may materialize, Fortune Station will abstain from voting in the shareholders' meeting of the Company with respect to the relevant resolution(s); and
- (viii) our Group is administratively independent from the Controlling Shareholders and their Retained Business as we have our own company secretary, authorized representatives and administrative personnel.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective associates after the Global Offering:

Management Independence

Our Board consists of eight members, comprising of four executive Directors, one non-executive Director and three independent non-executive Directors. Two directorships of our executive Directors are held by Mr. Chen and Ms. Wan, who are our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Global Offering.

Operational Independence

Our organizational structure is made up of individual departments, each with specific areas of responsibility. Our Group has independent access to sources of supplies of raw materials and packaging materials for production and customers. We have also established a set of internal controls to facilitate the effective operation of our business.

We entered into a production and office premises lease agreement with Guangzhou Bawang, pursuant to which we leased a production premises and office premises from Guangzhou Bawang, details of which are set out in the section headed "Connected Transactions" to this prospectus. The production and office premises lease agreement was entered into on normal commercial terms (or on terms more favorable to us) after arms-length negotiations. Jones Lang LaSalle Sallmanns Limited, the independent property valuer of the Group, has reviewed the production and office premises lease agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC. We believe that in the event Guangzhou Bawang ceases to lease any of the properties to us, we would be able to find suitable alternative premises from third-parties in the same district without undue delay or inconvenience.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our PRC legal advisor has confirmed that the production and office premises lease agreement does not contain any provision that would restrict our ability to rent similar properties from independent third-parties.

We plan to lease new production premises located in Baiyun District, Guangzhou, from Guangzhou Bawang for the purpose of expanding our overall production capacity. We will continue to lease the existing production and office premises from Guangzhou Bawang until all phases of construction of the new production premises have been completed, which is expected to be 2012.

Our Directors consider that we do not rely on the Controlling Shareholders for the leasing of production premises and office premises.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Directors confirm that as of the Latest Practicable Date, save as disclosed in the section headed "Financial Information – Pre-listing Arrangements" in this prospectus, the Controlling Shareholders have not provided any guarantee or loan to our Group. Our Group confirmed that the amount due from/to the Controlling Shareholders as stated in Note 22 of the Accountants' Report set out in Appendix I to this prospectus will be fully settled before Listing. We believe we are capable of obtaining financing from independent third-parties, if necessary, without reliance on Controlling Shareholders. Therefore, our Group is financially independent from our Controlling Shareholders.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

The Company has entered into a number of transactions with entities and individuals which will become connected persons (as defined in Chapter 14A of the Listing Rules) of the Company upon Listing and such transactions will, upon completion of Listing, constitute continuing connected transactions of the Company under the Listing Rules. These entities and individuals include:

- (i) Mr. Chen, our chairman and executive Director;
- (ii) Ms. Wan, our chief executive officer and executive Director;
- (iii) Guangzhou Bawang, a company beneficially owned by Mr. Chen and Ms. Wan;
- (iv) Guangzhou Chenming Paper Products Company Limited (“**Chenming Paper**”), a company wholly owned by Mr. Chen Qiwen, Mr. Chen’s brother; and
- (v) Guangzhou Qiancai Packaging Material Co., Ltd. (“**Qiancai Packaging**”), a company wholly owned by Ms. Wu Xiaotao, Mr. Chen’s sister-in-law.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute exempted continuing connected transactions for the Company under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. Each of the following transactions is undertaken on an arms-length basis and on normal commercial terms or terms more favorable to our Group and the percentage ratios (other than the profit ratio) of each of the following transactions on an annual basis is less than 0.1% or if more than 0.1% is less than 2.5% and the annual consideration is less than HK\$1.0 million.

1. Non-Competition Deed

We have entered into a Non-competition Deed with our Controlling Shareholders on their own behalf and on the behalf of their associates (other than members of the Group). For details of the Non-competition Deed, please refer to the section headed “Relationship with Controlling Shareholders – Non-Competition Undertaking” in this prospectus.

As the Non-competition Deed was entered into in favor of the Company without any consideration payable by the Company to its Controlling Shareholders, the transaction contemplated under the Non-competition Deed constitutes a de minimis continuing connected transaction which is exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

2. Trademark Assignment Agreements

Bawang Guangzhou entered into trademark assignment agreements with Guangzhou Bawang on 22 June 2008 and 25 August 2008, pursuant to which Guangzhou Bawang agreed to assign all its 霸王 (Bawang) trademarks and trademark applications, which are registered or filed in the PRC, to Bawang Guangzhou at nil consideration, and that Bawang Guangzhou will, except for those 霸王 (Bawang) trademarks which will be used in the Group’s business, transfer or license back the registered 霸王 (Bawang) trademarks to Guangzhou Bawang, solely for use in connection with the non-HPC product related businesses of Guangzhou Bawang on a royalty-free and perpetual basis.

As the trademark assignment agreements were entered into without any consideration payable by Bawang Guangzhou to Guangzhou Bawang, the transactions contemplated under the trademark assignment agreements constitute de minimis continuing connected transactions which are exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute non-exempted continuing connected transactions for the Company and are subject to the reporting and announcement requirements under Rule 14A.35(3) of the Listing Rules.

<u>Transactions</u>	<u>Parties to the transactions</u>
1. Production and Office Premises Lease Agreement	Bawang Guangzhou and Guangzhou Bawang
2. Packaging Material Supply Agreement	Bawang Guangzhou and Chenming Paper
3. Toothpaste Container Supply Agreement	Bawang Guangzhou and Qiancai Packaging

1. Production and Office Premises Lease Agreement

Bawang Guangzhou entered into a production and office premises lease agreement with Guangzhou Bawang on 22 January 2008, pursuant to which Bawang Guangzhou agreed to lease from Guangzhou Bawang a production premises and an office premises, both located in Baiyun District, Guangzhou, the PRC. The term of the production and office premises lease agreement is three years commencing 4 December 2007. The monthly rent is approximately RMB0.18 million and is fixed throughout the term of the lease. Our Directors estimate that the annual rent payable by Bawang Guangzhou to Guangzhou Bawang for each of the three years commencing 4 December 2007 will not exceed the annual cap of RMB2.22 million. We have also been granted a right of first refusal to purchase the production premises and office premises under the production and office premises lease agreement. The production and office premises lease agreement is renewable at the option of Bawang Guangzhou by giving one month notice prior to the expiry of the lease. The renewal of the lease term, if any, shall comply with the rules applicable to connected transactions under the Listing Rules.

The transactions contemplated under the production and office premises lease agreement constitute continuing connected transactions under the Listing Rules. Given that each of the applicable percentage ratios (other than the profits ratio) of the annual rent payable under the production and office premises lease agreement is more than 0.1% and less than 2.5%, it is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Jones Lang LaSalle Sallmanns Limited, the independent property valuer to the Group, has reviewed the production and office premises lease agreement and confirmed that the rent payable under the agreement is fair and reasonable and consistent with prevailing market rates for similar premises in similar locations in the PRC and the terms of the production and office premises lease agreement are on normal commercial basis and the duration of the lease is consistent with the prevailing market.

In arriving at the above annual caps, the Directors have considered information provided by Jones Lang LaSalle Sallmanns Limited in respect of rental income of similar premises in comparable locations in the PRC and the overall market conditions in the PRC.

2. Packaging Material Supply Agreement

Bawang Guangzhou entered into a packaging material supply agreement with Chenming Paper on 28 March 2009, pursuant to which Chenming Paper agreed to supply packaging material to Bawang

CONNECTED TRANSACTIONS

Guangzhou from time to time at fixed unit prices for a term of three years commencing 1 January 2009. Bawang Guangzhou and Chenming Paper will review the prices offered by Chenming Paper at least once annually to ensure that they are at market prices or at prices no less favorable than those offered to Bawang Guangzhou by independent third-parties. The supply of packaging material by Chenming Paper to Bawang Guangzhou is expected to continue following Listing. The annual transaction amount for the supply of packaging material by Chenming Paper to Bawang Guangzhou for the year ended 31 December 2008 was approximately RMB6.9 million. The Group did not purchase any packaging material from Chenming Paper prior to 2008 as Chenming Paper was only incorporated in January 2008. Our Directors estimate that the annual transaction amount for the supply of packaging material supplied by Chenming Paper to Bawang Guangzhou for the three years commencing 1 January 2009 will not exceed the annual caps of RMB10.0 million, RMB11.0 million and RMB12.2 million, respectively.

In arriving at the above annual caps, our Directors have considered (i) the historical transaction amount for the supply of packaging material by Chenming Paper to Bawang Guangzhou for the year ended 31 December 2008; (ii) the expected future growth in our business; and (iii) the production capacity of Chenming Paper. We expect the supply of packaging material by Chenming Paper to Bawang Guangzhou to increase in the coming years and the increase in the above annual caps has reflected this expectation.

The transactions contemplated under the packaging material supply agreement constitute continuing connected transactions under the Listing Rules. Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the packaging material supply agreement is more than 0.1% and less than 2.5%, it is subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Toothpaste Container Supply Agreement

Bawang Guangzhou entered into a toothpaste container supply agreement with Qiancai Packaging on 28 March 2009, pursuant to which Qiancai Packaging agreed to supply toothpaste containers to Bawang Guangzhou from time to time at fixed unit prices for a term of three years commencing 1 January 2009. Bawang Guangzhou and Qiancai Packaging will review the prices offered by Qiancai Packaging at least once annually to ensure that they are at market prices or at prices no less favorable than those offered to Bawang Guangzhou by independent third-parties. The supply of toothpaste containers by Qiancai Packaging to Bawang Guangzhou is expected to continue following Listing. The annual transaction amounts for the supply of toothpaste containers by Qiancai Packaging to Bawang Guangzhou for the years ended 31 December 2007 and 2008 were approximately RMB1.7 million and RMB4.3 million, respectively. The Group did not purchase any toothpaste containers from Qiancai Packaging prior to 2007 as Qiancai Packaging was only incorporated in February 2007. Our Directors estimate that the annual transaction amounts for the supply of toothpaste containers by Qiancai Packaging to Bawang Guangzhou for the three years commencing 1 January 2009 will not exceed the annual caps of RMB6.5 million, RMB7.5 million and RMB8.0 million, respectively.

In arriving at the above annual caps, our Directors have considered (i) the historical transaction amount for the supply of toothpaste containers by Qiancai Packaging to Bawang Guangzhou for the years ended 31 December 2007 and 2008; (ii) the expected future growth in our business; and (iii) the production capacity of Qiancai Packaging. We expect the supply of toothpaste containers by Qiancai Packaging to Bawang Guangzhou to increase in the coming years and the increase in the annual caps has reflected this expectation.

The transactions contemplated under the toothpaste container supply agreement constitute continuing connected transactions under the Listing Rules. Given that each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the toothpaste container supply agreement is more than 0.1% and less than 2.5%, it is subject to the reporting and

CONNECTED TRANSACTIONS

announcement requirements and exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation from the Directors

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, and the respective annual caps are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, and the respective annual caps are fair and reasonable and in the interests of the Shareholders as a whole.

Application for Waiver from Strict Compliance of the Listing Rules

Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied to the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver from strict compliance with the announcement requirements under Rule 14A.35(3) of the Listing Rules in connection with the transactions described above. The Company confirmed that it will comply with the applicable requirements under the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any changes to the aforesaid transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions described above, we will take immediate steps to ensure compliance with the new requirements.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title
Mr. Chen Qiyuan (陳啟源)	47	Chairman and Executive Director
Ms. Wan Yuhua (萬玉華)	43	Chief Executive Officer (“CEO”) and Executive Director
Mr. Shen Xiaodi (沈小笛)	43	Vice-CEO and Executive Director
Mr. Wong Sin Yung (黃善榕)	54	Chief Financial Officer and Executive Director
Ms. Guo Jing (郭晶)	42	Non-executive Director
Mr. Ngai Wai Fung (魏偉峰)	47	Independent non-executive Director
Mr. Li Bida (李必達)	68	Independent non-executive Director
Mr. Chen Kaizhi (陳開枝)	69	Independent non-executive Director

Executive Directors

Mr. Chen Qiyuan (陳啟源), aged 47, co-founder of our Group, our chairman and has been our executive Director since 12 November 2007. Mr. Chen is responsible for the overall strategic planning and management of our Group. Mr. Chen has extensive experience in the Chinese herbal HPC product industry, having been engaged in the consumer chemical product business for over 15 years. Mr. Chen and Ms. Wan entered the HPC product business by establishing Old Guangzhou Bawang in 1994 after considering the growth potential of the HPC product business in the PRC. Mr. Chen was involved in the trading of pesticides in the PRC before the establishment of Old Guangzhou Bawang. He has been serving as a research fellow in the 北京大學公共經濟管理研究中心 (Public Economics Academy of Peking University) since 2007. Mr. Chen is the spouse of Ms. Wan.

Ms. Wan Yuhua (萬玉華), aged 43, co-founder of our Group, our CEO and has been our executive Director since 12 November 2007. Ms. Wan is responsible for the overall strategic planning, marketing planning, sales and distribution and research and development of our Group. Ms. Wan has extensive experience in the Chinese herbal HPC product industry. She has over 15 years experience in the consumer chemical product industry in the PRC. She also has extensive experience in the sales and corporate management. Prior to the establishment of Old Guangzhou Bawang, Ms. Wan worked in 中國科學院華南植物研究所 (South China Botanical Garden, Chinese Academy of Sciences) as an engineer. Ms. Wan has served as the deputy head of the 中華全國工商業聯合會美容化妝品業商會 (Chamber of Beauty Culture & Cosmetics of All-China Federation of Industry & Commerce) since 2008. She was also elected 中國中藥日化行業魅力領軍人物 (Charismatic Leader in Chinese Herbal Consumer Chemical Industry in China) by 全國行業領先企業品牌推選組委會 (The Election Committee of the National Industry Leading Brand) in 2008. Ms. Wan obtained 廣州新僑回國創業貢獻獎 (Guangzhou Overseas Chinese Entrepreneurship Award) in 2008 from 廣州人事局 (Guangzhou Personnel Bureau), a government body, and 廣州市歸國華僑聯合會 (Guangzhou Overseas Chinese Federation). Ms. Wan was elected 中國品牌建設十大優秀企業家 (Ten Excellent Entrepreneurs for Chinese Brand Building) by China Enterprise Culture Improvement Association in 2006. She obtained a bachelor’s degree in plant genetics from 華南農業大學 (South China Agricultural University) in 1998. Ms. Wan is the spouse of Mr. Chen.

Mr. Shen Xiaodi (沈小笛), aged 43, is our vice-CEO and executive Director. Mr. Shen joined our Group in January 2008 and was appointed as our executive Director on 10 December 2008. Mr. Shen is responsible for the implementation of our Group’s strategic plans and the daily operations and management of our Group. Prior to joining our Group, Mr. Shen held a number of senior management roles, such as deputy chief engineer in high technology enterprises in the PRC and deputy general manager in asset management companies. He has more than 10 years experience in technology

DIRECTORS AND SENIOR MANAGEMENT

management, introduction of foreign capital and management of enterprises, which could benefit the Group by (i) efficiently and effectively managing the operation of the Group; (ii) implementing the new ERP systems; and (iii) facilitating the Group's future fund raising activities and strategic investments. Mr. Shen obtained a bachelor's degree in engineering in 1986 and a master's degree in engineering in 1989, both from 西安交通大學 (Xi'an Jiaotong University). He also obtained a doctorate degree in engineering and a post-doctoral research certificate in mathematics from 中國科學院 (Chinese Academy of Sciences) in 1994 and 1995, respectively. He was conferred a professional qualification as a deputy researcher by 中國科學院應用數學研究所 (Institute of Applied Mathematics of Chinese Academy of Sciences) in 1995. Mr. Shen is the spouse of Ms. Guo Jing, our non-executive Director.

Mr. Wong Sin Yung (黃善榕), aged 54, is our chief financial officer and executive Director. Mr. Wong joined our Group in April 2008 and was appointed as our executive Director on 10 December 2008. He is responsible for the finance management and control, accounting, auditing, company secretarial and investor relations of our Group. Prior to joining our Group, Mr. Wong was an executive director of 華鼎集團控股有限公司 (China Ting Group Holdings Limited) (03398), the shares of which are listed on the Stock Exchange, from 2005 to 2008. Mr. Wong was the chief accountant and finance manager of Mark Wong & Associates (Industrial Consultants) Limited from 1988 to 1992 and from 1994 to 2003. He also worked for a certified public accountant firm from 1992. Mr. Wong has over 25 years experience in corporate finance, accounting, auditing, corporation administration, and project consulting. He is an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wong obtained a master's degree in human resource management from Macquarie University in 1996 and a master's degree in business administration from the University of Hong Kong in 1999.

Non-executive Director

Ms. Guo Jing (郭晶), aged 42, was appointed as our non-executive Director on 10 December 2008. Prior to joining our Group, Ms. Guo was a senior accountant in a chartered accountants firm in Canada since 2006. From 2002 to 2005, she was a finance manager of FutureWay Enterprise Services Inc., a company providing business consulting, accounting and taxation services. From 1992 to 2001 Ms. Guo held various senior management positions including finance manager, deputy chief accountant, and chief accountant in 北京市大力綜合商業公司 (Beijing Dali Integrated Business Company). She has more than 15 years experience in strategic planning, corporate finance, internal financial control and management, professional accounting, and taxation services, which could benefit the Group by offering professional advice to the Board on the overall financial control and management of the Group. Ms. Guo obtained a bachelor's degree in biomedical engineering and instrumentation from 西安交通大學 (Xi'an Jiaotong University) in 1987 and a master's degree in internal combustion engineering from 北京理工大學 (Beijing Institute of Technology) in 1992. She was awarded a vocational qualification as an accountant by 中國財政部 (the PRC Ministry of Finance) in 1997. Ms. Guo is the spouse of Mr. Shen Xiaodi, our executive Director.

Independent Non-executive Directors

Mr. Ngai Wai Fung (魏偉峰), aged 47, was appointed as our independent non-executive Director on 10 December 2008. He is currently the director and head of listing services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton respectively), an independent integrated corporate services provider, a vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its membership committee. He was the company secretary of 中國工商銀行(亞洲)有限公司 (Industrial and Commercial Bank of China (Asia) Limited) in 2005, executive director of 信東金融(亞洲)有限公司 (Top Orient Capital (Asia) Ltd) from 2003 to 2005, the company secretary of 中國聯通股份有限公司 (China Unicom Limited) from 2001 to 2003, the executive director, the company secretary and the chief financial officer of 東聯控股有限公司 (Oriental Union Holdings Limited) from 1999 to 2001. Mr. Ngai is a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators and a fellow of the Hong Kong Institute of Chartered Secretaries. Mr. Ngai obtained a master's degree in corporate

DIRECTORS AND SENIOR MANAGEMENT

finance from Hong Kong Polytechnic University in 2002 and a master's degree in business administration from Andrews University of Michigan in 1992. He is a doctoral candidate in finance at 上海財經大學 (Shanghai University of Finance and Economics). Mr. Ngai has over 18 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers including major red chip companies. Mr. Ngai was an independent non-executive director and a member of the audit committee of 中國人壽保險股份有限公司 (China Life Insurance Company Limited) (02628) from 2006 to 2009, and is currently an independent non-executive director and a member of the audit committee of 中國鐵建股份有限公司 (China Railway Construction Corporation Limited) (01186) and 方興地產 (中國) 有限公司 (Franshion Properties (China) Limited) (0817) and an independent non-executive director and the chairman of the audit committee of 波司登國際控股有限公司 (Bosideng International Holdings Limited) (03998), shares of which are listed on the Stock Exchange and/or the Shanghai Stock Exchange and/or the New York Stock Exchange.

Mr. Li Bida (李必達), aged 68, was appointed as our independent non-executive Director on 10 December 2008. Prior to joining our Group, Mr. Li was the head of 中國司法部律師司 (Department of Lawyers, the Ministry of Justice of the PRC), currently known as 司法部律師公証工作指導司 (Department of Directing Lawyers and Notarization, Ministry of Justice), from 1988 to 1992. He was also an arbitrator in 中國國際經濟貿易仲裁委員會 (China International Economics and Trade Arbitration Commission) from 1989 to 1990. From 1992 to 1995, he served as standing deputy head of 國家商標局 (State Trademark Bureau). From 1992 to 2001, he held various positions in 國家工商管理總局 (State Administration of Industry and Commerce) including the head of the 公平交易局 (Fair Trading Bureau) and the head of 企業註冊局 (Registration Bureau). He was a consultant with a number of companies, including 格蘭仕集團 (Galanz Group) from 2001 to 2003, 完美 (中國) 日用品有限公司 (Perfect (China) Co., Ltd.), 南方李錦記有限公司 (Nanfong Lee Kum Kee Co., Ltd.) from 2001 to 2005, 理光 (中國) 投資有限公司 (Ricoh China Co., Ltd.) from 2005 to 2006, and 如新 (中國) 日用保健品有限公司 (NU Skin (China) Co., Ltd.) from 2006 to 2007. He is currently a member of the board of directors of 北京大學知識產權學院 (Intellectual Property Institute of Peking University), professor of 中國人民大學法律學院 (Renmin University of China Law School) and 首都經濟貿易大學 (Capital University of Economics and Business). Mr. Li obtained a bachelor's degree in law from 湖北大學 (Hubei University) in 1965.

Mr. Chen Kaizhi (陳開枝), aged 69, was appointed as our independent non-executive Director on 8 April 2009. Prior to joining us, he held various governmental positions in Guangdong province from 1964 to 1998. He was promoted to executive vice mayor of Guangzhou in 1992 and 廣州市政府黨組副書記 (deputy secretary of the Leading Party Group of Guangzhou Municipal Government) in 1993. From 1998 to 2005, he was 廣州市政協主席、黨組書記 (the chairman and secretary of the Leading Party Group of Guangzhou Political Consultative Conference). Since his retirement from his governmental position in 2005, he held the position of vice president of 中國扶貧基金會 (China Foundation for Poverty Alleviation), a charitable organization in the PRC. He obtained a bachelor's degree in political education from 華南師範學院 (South China Normal College), which is the predecessor of 華南師範大學 (South China Normal University), in 1964.

DIRECTORS AND SENIOR MANAGEMENT
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SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Mr. Zhu Liangfeng	72	Chief Research and Development Officer
Mr. Ma Shaochun	30	Chief Planning Officer
Mr. Liang Jinhua	44	Finance Manager
Mr. Mo Zhiwen	39	Sales Manager
Ms. Huang Weiyuan	36	Sales Manager
Ms. Chen Quan	31	Key Account Manager
Mr. Zhang Jialin	48	Manager of Investigation and Supervision Department
Ms. Wan Yuxian	46	Chief Administrative Officer
Ms. Luo Hailong	29	Chief Media and Publicity Officer
Mr. Li Yihui	36	Chief Brand Design and Expansion Officer
Ms. Guo Xiaoping	36	Internal Auditor
Ms. He Xinyi	34	Chief Training Officer
Mr. Zhu Xiaojun	30	Manager of Design Department

Mr. Zhu Liangfeng (朱亮鋒), aged 72, is our chief research and development officer. Mr. Zhu joined our Group in October 2007. He is responsible for overseeing research and development projects for the Group. Mr. Zhu has extensive experience in research and development and refinement of Chinese herbal chemicals. Prior to joining our Group, he was an assistant professor at 哈爾濱理工大學 (Harbin University of Science and Technology) (formerly known as 哈爾濱電工學院 (Harbin Electricity and Engineering College)) from 1960 to 1963. He began working as a research intern in 中國科學院華南植物研究所 (South China Botanical Garden, Chinese Academy of Sciences) in 1963. He was promoted to assistant researcher in 1979, later deputy researcher and deputy director of the research department in 1987 and he was further promoted to a researcher and director of the research department in 1990. From 1989 to 1998, he was the liaison officer for the Asian Pacific Information Network on Medicinal and Aromatic Plants (the “**APINMAP**”) launched by the United Nations Educational, Scientific, and Cultural Organization. During the same period, he was also the responsible person for China National Center of the APINMAP. He obtained his bachelor’s degree in chemistry from 中山大學 (Sun Yat-Sen University) in 1960.

Mr. Ma Shaochun (馬少春), aged 30, is our chief planning officer. Mr. Ma joined our Group as the manager of planning department in April 2004 and was promoted to chief planning officer in September 2007. He is responsible for the design and scheduling of marketing and promotional programs, brand building and management and developing our annual sales and marketing plans. He has extensive experience in brand management and market planning in the HPC product industry in the PRC. Prior to joining our Group, he worked as a market planning specialist with 絲寶集團 (C-bons Group) from 2000 to 2002. From 2003 to 2004, he worked as a brand manager with 索芙特股份有限公司 (Softto Co., Ltd.). He obtained his bachelor’s degree in administrative management from Hubei University in 2000.

Mr. Liang Jinhua (梁金華), aged 44, is our finance manager. Mr. Liang joined our Group in December 2007. He is responsible for the daily operations of our finance and accounts department. Mr. Liang has extensive experience in finance management and company accounting. Prior to joining our Group, he was the financial controller of 廣東康芝投資集團有限公司 (Guangdong Kangzhi Investment Group) from 2006 to 2007. From 2002 to 2006, he was the financial controller of 肯莎維(廣州)有限公司

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(Kensmith (Guangzhou) Co., Ltd.) From 1999 to 2002, he was the general finance manager of 廣州英華企業集團有限公司 (Guangzhou Yinghua Enterprise Group Co. Ltd.). From 1995 to 1999, he was the senior manager of management department financial controller of 豪雅(廣州)光學有限公司 (Hoya Lens Guangzhou Limited). Mr. Liang was awarded an intermediate vocational qualification in finance and economics by 中國人事部 (the PRC Ministry of Personnel) in 1997 and as an accountant by 中國財政部 (the PRC Ministry of Finance) in 1998. He obtained his diploma in industry accounting from 廣東成人財經學院 (Guangdong Adult Finance and Economics College) in 1993 and completed a post graduate program in accounting in 暨南大學 (Jinan University) in 2001.

Mr. Mo Zhiwen (莫志文), aged 39, is our sales manager. Mr. Mo has been with us since the establishment of our Group. He is responsible for our sales and channel management. He has extensive experience in marketing, sales and channel development. Prior to joining our Group, he worked as production supervisor in 湛江裕湛聯合製氧廠 (Zhanjiang Yuzhan Oxygen Factory) from 1995 to 1997. He was the regional sales manager of 埃克森美孚(粵西)機油中心 (Exxon Mobile (Yuexi) Engine Oil Center) in Zhanjiang from 1998 to 1999.

Ms. Huang Weiyan (黃偉燕), aged 36, is our sales manager. Ms. Huang has been with us since the establishment of our Group. She is responsible for the customer service management of our distributor channel. She has extensive experience in sales and customer management. She has held various positions in our Group and was promoted to sales manager in June 2006. She completed a business administration program conducted by 廣州大學 (Guangzhou University) in 2008.

Ms. Chen Quan (陳權), aged 31, is our key accounts manager. Ms. Chen joined our Group in June 2005. She is responsible for managing the key retailer accounts and developing the retailer channel of the Group. She has extensive experience in the HPC product industry. Prior to joining our Group, she was a supervisor of major customers in Guangzhou and Shanghai for 廈門銀鷺食品有限公司深圳分公司 (Xiamen Yinlu Food Industry Co., Ltd., Shenzhen Branch). Ms. Chen was a sales representative for major customers and the leader of the customer department of 廣州頂津食品有限公司 (Guangzhou Ting Jin Food Co. Ltd.) from 2001 to 2003. She completed an international economic and trade program conducted by 暨南大學 (Jinan University) in 1998.

Mr. Zhang Jialin (張家林), aged 48, is the manager of our investigation and supervision department. Mr. Zhang has been with us since the establishment of our Group. Mr. Zhang is responsible for the investigation of counterfeit products and monitoring of infringement of our intellectual property. Mr. Zhang held various positions in the Group over the years including marketing and sales positions. Mr. Zhang is the spouse of Ms. Wan Yuxian.

Ms. Wan Yuxian (萬玉仙), aged 46, is our chief administrative officer. She is responsible for our human resource management and sales cost auditing. She has been with us since the establishment of our Group. She has extensive experience in accounting and marketing cost control. She held various positions in our Group and was promoted to chief administrative officer in June 2008. She was awarded 優秀巾幗金雁 (Outstanding Lady) by 中國共產黨廣州市白雲區委員會 (Baiyun District Committee of Communist Party of China) and 廣州市白雲區人民政府 (People's Government of Baiyun District) in 2003. She is the elder sister of Ms. Wan and the spouse of Mr. Zhang Jialin.

Ms. Luo Hailong (羅海龍), aged 29, is our chief media and publicity officer. Ms. Luo joined our Group in February 2005 as the manager of our media department and was promoted to chief media and publicity officer in April 2008. She is responsible for communicating with various media regarding publicity, advertising and press releases. Ms. Luo has extensive experience in the media and advertising industry. Prior to joining our Group, she was the manager of media department of 廣東潤都藥業有限公司 (Guangdong Rundu Pharmaceutical Co., Ltd) from 2002 to 2004. She was the head of the media department of 深圳市伽儂企業形象策劃有限公司 (Shen Zhen Jianong Company Limited) from 2001 to 2002. Ms. Luo served as a media specialist with 深圳萬基藥業有限公司 (Shenzhen Wanji Pharmaceutical Company Limited).

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Mr. Li Yihui (黎藝輝), aged 36, is our chief brand design and expansion officer. Mr. Li joined our Group in 2004 and was promoted to chief brand design and expansion officer in September 2008. Mr. Li is responsible for the promotion of our corporate and product image, design and planning of our new products and establishing our product display standards and procedures. Mr. Li has extensive experience in the promotion of corporate image and products. Prior to joining our Group, he worked with 絲寶集團 (C-Bons Group) in Hubei from 1999 to 2004. He worked for 江西省對外經濟貿易廳化工進出口公司 (Chemical Import and Export Co., Ltd. under the Department of Foreign Trade and Economic Cooperation, Jiangxi) from 1993 to 1999 where he was responsible for the promotion of corporate image and products. He obtained a diploma in fine arts from 江西師範大學藝術學院 (Art College of Jiangxi Normal University) in 1993.

Ms. Guo Xiaoping (郭小萍), aged 36, is our internal auditor. Ms. Guo joined our Group as deputy finance manager in April 2008 and was appointed as our internal auditor in December 2008. She is responsible for assisting the Group's audit committee in reviewing and supervising the Group's financial reporting process and internal control system and provides advice to the Board. She has extensive experience in finance management of listed companies and auditing in accounting firms. Prior to joining our Group, she was the vice-finance manager and finance manager of 廣東省醫藥貿易中心 (Guangdong Pharmaceutical Trading Company) from 2006 to 2008. From 1999 to 2006, she was the finance manager of 廣西北生藥業股份有限公司 (Guangxi Beisang Pharmaceutical Group Limited) (600556), a company listed on the Shanghai Stock Exchange. From 1995 to 1999, she was an auditor and audit manager in 北海珠城(聯合)會計師事務所 (Beihai Zhucheng Certified Public Accountants). Ms. Guo obtained a diploma in accounting from 廣西大學 (Guangxi University) in 1999. She was awarded a vocational qualification as an intermediate accountant by 中國財政部 (the PRC Ministry of Finance) in 2001. She has been a member of the Chinese Institute of Certified Public Accountants since 2006.

Ms. He Xinyi (何欣懌), aged 34, is our chief training officer. Ms. He joined our Group in June 2005 as manager of the training department and was promoted to as our chief training officer in June 2008. She is responsible for managing and the implementing our training system and organizing training and development programs for our employees. Ms. He has extensive experience in staff training. Prior to joining our Group, she was the manager of the training department and product planning department of 雅蘭國際化妝品有限公司 (Grandway International Cosmetics Co., Ltd.) from 1999 to 2003. Ms. He obtained a diploma in international trade from 黃河科技學院 (Huanghe S & T College) in 1993.

Mr. Zhu Xiaojun (朱曉俊), aged 30, is the manager of our design department. Mr. Zhu joined our Group in August 2003. Mr. Zhu is responsible for the design of logos, packaging, labels and our marketing materials. He has extensive experience in the advertising and design industry. Prior to joining our Group, Mr. Zhu was a designer and art director with 廣州白羊廣告有限公司 (Guangzhou Baiyang Advertising Co., Ltd.) from 1998 to 2001.

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme to motivate our Directors, senior management and employees to optimize their performance, efficiency and future contributions to our Group and to reward them for their contributions to our Group.

The total number of Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme:

- (i) 14,532,000 Shares, assuming that the Offer Price is set at the high-end of the indicative Offer Price range, representing (a) 0.5190% of the issued share capital of our Company immediately after the completion of the Global Offering and Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); or (b) approximately 0.5163% of the issued share capital of our Company immediately

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after the completion of the Global Offering and the Capitalization Issue and assuming that all options granted under the Pre-IPO Share Option Scheme are fully exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); or

- (ii) 17,719,000 Shares, assuming that the Offer Price is set at the low-end of the indicative Offer Price range, representing (a) 0.6328% of the issued share capital of our Company immediately after the completion of the Global Offering and Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); or (b) approximately 0.6288% of the issued share capital of our Company immediately after the completion of the Global Offering and the Capitalization Issue and assuming that all options granted under the Pre-IPO Share Option Scheme are fully exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option).

Assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full during the year ending 31 December 2009 and that (i) 2,814,532,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 14,532,000 Shares, assuming that the Offer Price is set at the high-end of the indicative Offer Price range, to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme; or (ii) 2,817,719,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 17,719,000 Shares, assuming that the Offer Price is set at the low-end of the indicative Offer Price range, to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending 31 December 2009, (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) the estimated impact of the Pre-IPO Share Options on our Group's consolidated income statements for the year ending 31 December 2009:

- (i) approximately HK\$7.71 million, assuming that the Offer Price is set at the high-end of the indicative Offer Price range; or
- (ii) approximately HK\$7.67 million, assuming that the Offer Price is set at the low-end of the indicative Offer Price range.

Pursuant to the Pre-IPO Share Option Scheme and the relevant offer letters in respect of the grant of options:

- (a) the subscription price per Share under the Pre-IPO Share Option Scheme shall be at par value or at 50% discount to the Offer Price;
- (b) each option granted under the Pre-IPO Share Option Scheme has a 10-year exercise period;
- (c) the Shares issued within one year from the Listing Date as a result of the exercise of options under the Pre-IPO Share Option Scheme will be subject to a lock-up period of 12 months from the Listing Date; and
- (d) each option granted under the Pre-IPO Share Option Scheme shall not be transferable or assignable and shall not in any way sell, transfer, charge, mortgage, encumber or otherwise dispose or create any interest (whether legal or beneficial) whatsoever in favor of any third-party over or in relation to any option or enter into any agreement so to do.

Our Directors have undertaken to our Company that they will not exercise options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the

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Listing Rules) after the Global Offering and the Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

For details of the Pre-IPO Share Option Scheme, please refer to section headed “Pre-IPO Share Option Scheme” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to motivate our Directors, senior management and employees to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of the executive Directors and senior management of our Group, to enable our Group to attract and retain individuals' experience and ability and/or to reward them for their past contributions. The principal terms of the Share Option Scheme are summarized in the section headed “Share Option Scheme” in Appendix V to this prospectus.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors (except Mr. Chen and Ms. Wan, who did not receive any remuneration during the Track Record Period, and Mr. Chen Kaizhi who was appointed on 8 April 2009) have received for the year ended 31 December 2008 was approximately RMB1.4 million. No remuneration was paid to our Directors for the years ended 31 December 2006 and 2007.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. Upon and after Listing, the remuneration package will be extended to include options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors as an inducement to join or upon joining us. No compensation was paid by us to, or receivable by, our Directors or past Directors for each of the years ended 31 December 2006, 2007 and 2008 for the loss of any office in connection with the management of the affairs of any member of our Group.

Under the arrangements currently in force, the aggregate amount of directors' fees and other emoluments payable to the Directors for the year ending 31 December 2009 is estimated to be approximately HK\$3.5 million, excluding any discretionary bonuses.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 20 May 2009 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors review the financial statements and material advice in respect of financial reporting

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and oversee the internal control procedures of our Company. At present, the audit committee of our Company comprises all three independent non-executive Directors, Mr. Ngai Wai Fung, Mr. Li Bida and Mr. Chen Kaizhi. Mr. Ngai Wai Fung is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 20 May 2009 with written terms of reference. The primary functions of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The remuneration committee comprises our executive Director, Ms. Wan, and our two independent non-executive Directors, Mr. Li Bida and Mr. Chen Kaizhi. Ms. Wan is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 20 May 2009 with written terms of reference. The primary functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee comprises our executive Director, Ms. Wan, and our two independent non-executive Directors, Mr. Li Bida and Mr. Chen Kaizhi. Ms. Wan is the chairman of the nomination committee.

COMPLIANCE ADVISOR

Our Company have appointed Kingsway Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme and which would affect disclosure in this section) the following persons will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long positions in the Shares and underlying Shares

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares</u>	<u>Approximate percentage of shareholding</u>
Fortune Station	Beneficial owner	2,100,000,000	75%
Mr. Chen ⁽¹⁾	Interest in a controlled corporation	2,100,000,000	75%
Ms. Wan ⁽²⁾	Interest in a controlled corporation	2,100,000,000	75%

Notes:

- (1) Mr. Chen is the beneficial owner of 51% of the issued share capital of Fortune Station and is deemed to be interested in the Shares held by Fortune Station. Mr. Chen, the spouse of Ms. Wan, is deemed to be interested in Ms. Wan's interests in Fortune Station.
- (2) Ms. Wan is the beneficial owner of 49% of the issued share capital of Fortune Station and is deemed to be interested in the Shares held by Fortune Station. Ms. Wan, the spouse of Mr. Chen, is deemed to be interested in Mr. Chen's interests in Fortune Station.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering and the Capitalization Issue, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

For details of the financial impact of the Pre-IPO Share Options on our Group, please refer to the sections headed "Pre-IPO Share Option Scheme" in Appendix V of this prospectus.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately following the Global Offering and Capitalization Issue:

	HK\$
Authorized share capital:	
10,000,000,000 Shares	1,000,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and Capitalization Issue (assuming that the Over-allotment Option is not exercised):	
10,000 Shares in issue at the date of this prospectus	1,000
2,099,990,000 Shares to be issued under the Capitalization Issue	209,999,000
700,000,000 Shares to be issued pursuant to the Global Offering	70,000,000
2,800,000,000 Total	280,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and Capitalization Issue (assuming that the Over-allotment Option is exercised in full):	
10,000 Shares in issue at the date of this prospectus	1,000
2,099,990,000 Shares to be issued under the Capitalization Issue	209,999,000
805,000,000 Shares to be issued pursuant to the Global Offering	80,500,000
2,905,000,000 Total	290,500,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (i) any Shares issued upon exercise of options which may be granted under our Pre-IPO Share Option Scheme or Share Option Scheme; (ii) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (iii) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally with all Shares currently in issue or to be issued as mentioned in this prospectus, and will rank in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalization Issue.

THE PRE-IPO SHARE OPTION SCHEME AND THE SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain persons were conditionally granted options immediately prior to the Listing Date to subscribe for Shares. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarized in the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus, our Directors have been granted a general

SHARE CAPITAL

unconditional mandate to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any subscription rights under the Pre-IPO Share Option Scheme and the Share Option Scheme or any scrip dividend scheme or similar arrangements, or any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering; and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable law or our Articles of Association to be held; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offer" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Hong Kong Stock Exchange or on any other stock exchange and Shares which are recognized by the SFC and the Stock Exchange for this purpose) with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Global Offering.

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchase of the Company's Own Shares" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company's next annual general meeting is required by any applicable law or our Articles of Association to be held; or
- (c) it is varied or revoked by an ordinary resolution of our Company's Shareholders in general meeting.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with our consolidated audited financial statements and the notes thereto as of and for the years ended 31 December 2006, 2007 and 2008, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Please see the section entitled "Risk Factors" in this prospectus.

OVERVIEW

Our 霸王 (Bawang) brand is the leading Chinese brand in the overall shampoo market in the PRC. According to Euromonitor, our 霸王 (Bawang) brand had the largest market share among all Chinese brands in the overall shampoo market in the PRC in terms of retail sales in 2007 and the first half of 2008 of approximately 6.2% and 7.6%, respectively. We primarily design, manufacture and market Chinese herbal shampoo and hair-care products under our 霸王 (Bawang) brand, skin-care products as well as Other Products such as toothpaste and shower gels.

We generally sell our products through our distributors and retailers. As of 31 December 2008, our extensive distribution and retail network comprised 567 distributors and 46 KA retailers, covering 24 provinces and four municipalities in the PRC as well as Hong Kong, Macao and Singapore. We launched our products in Hong Kong, Macao and Singapore in 2008, and we expect to launch our products in Malaysia, Myanmar and Thailand in 2009. Building on our leading position in the Chinese herbal shampoo market in the PRC, we intend to continue to expand our business by exploring other markets outside the PRC such as Taiwan.

For further information about our business and operations, please refer to the section headed "Business" of this prospectus.

The following table sets forth our revenue, net profits and percentages of increases for the periods indicated:

	Year ended 31 December			2007 vs 2006	2008 vs 2007	2006- 2008 CAGR
	2006	2007	2008			
	(RMB'000)	(RMB'000)	(RMB'000)	%	%	%
Revenue	392,369	921,680	1,411,248	134.9%	53.1%	89.7%
Net profit	115,959	181,345	281,774	56.4%	55.4%	55.9%

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Certain financial ratios

	At 31 December		
	2006	2007	2008
Current ratio ⁽¹⁾	2.0	1.4	1.9
Quick ratio ⁽²⁾	1.4	1.3	1.7
	Year ended 31 December		
	2006	2007	2008
Return on assets ⁽³⁾	53.9%	43.5%	47.2%
Return on equity ⁽⁴⁾	102.4%	109.0%	115.3%

Notes:

- (1) Current ratio is calculated by dividing the total current assets by the total current liabilities.
- (2) Quick ratio is calculated by dividing the total current assets minus inventory by the total current liabilities.
- (3) Return on assets equals net profit for each year divided by the average balance of total assets as of the beginning of each year and as of the end of each year.
- (4) Return on equity equals net profit for each year divided by the average balance of total equity as of the beginning of each year and as of the end of each year.

Current Ratio

As of 31 December 2006, 2007 and 2008, our current ratio was approximately 2.0, 1.4 and 1.9, respectively. The decrease in our current ratio from 2.0 as of 31 December 2006 to 1.4 as of 31 December 2007 was primarily due to the relatively greater increase in trade and other payables and amounts due to related parties, partially offset by increases in: (i) amounts due from related parties, (ii) other investment in depositary products and (iii) cash and cash equivalents. The increase in the current ratio from 1.4 as of 31 December 2007 to 1.9 as of 31 December 2008 was primarily due to the significant increase in cash and cash equivalents as of 31 December 2008 as a result of the Company's revenue growth and sale of other investments in depositary products over the year while other current assets and total current liabilities remained relatively stable. Please see "Liquidity and Capital Resources" in this section for further details regarding our liquidity.

Quick Ratio

As of 31 December 2006, 2007 and 2008, our quick ratio was approximately 1.4, 1.3 and 1.7, respectively. The quick ratio remained relatively stable as of 31 December 2006 and 2007, and increased slightly to 1.7 as of 31 December 2008, primarily due to the significant increase in cash and cash equivalents for the same reasons noted above.

Return on Assets

For the years ended 31 December 2006, 2007 and 2008, our return on assets was 53.9%, 43.5% and 47.2%, respectively. The decrease in the return on assets from 53.9% in 2006 to 43.5% in 2007 was primarily attributable to an increase in our average balance of total assets. Although our net profit grew 56.4% from RMB116.0 million in 2006 to RMB181.3 million in 2007, our average balance of total assets increased by 93.5% from RMB215.2 million in 2006 to RMB416.4 million in 2007. The increase in the return on assets from 43.5% in 2007 to 47.2% in 2008 was mainly due to the increase in the net profit for the year. Our net profit increased 55.4% from RMB181.3 million in 2007 to RMB281.8 million in 2008 while our average balance of total assets increased by 43.4% over the same period. Please see "Results of Operations" in this section for further details on our profitability.

Return on Equity

For the years ended 31 December 2006, 2007 and 2008, our return on equity was 102.4%, 109.0% and 115.3%, respectively. The increase in the return on equity from 2006 to 2008 was primarily attributable to the increase in the net profit over the period. Please see "Results of Operations" in this section for further details on our profitability.

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REORGANIZATION AND BASIS OF PRESENTATION

Pursuant to the Reorganization as detailed in the section headed “Company History and Reorganization” in this prospectus, the HPC product operation of Guangzhou Bawang was transferred to the companies now comprising our Group on 31 December 2007. As part of the Reorganization, certain assets and liabilities historically associated with the HPC product business of Guangzhou Bawang with an aggregate net book value of RMB29.9 million were not transferred to our Group and were retained by Guangzhou Bawang.

Our Controlling Shareholders controlled the operations of the HPC product business transferred to us before the Reorganization and continue to control the companies now comprising our Group after the Reorganization. Their control is not transitory and there was a continuation of the risks and benefits of the operations of the HPC product business to the Controlling Shareholders. As a result, the Reorganization is considered as a business combination under common control. The consolidated financial statements were prepared using merger accounting as if the HPC product business of Guangzhou Bawang had been operated by us and the current group structure had been in existence throughout the Track Record Period.

Accordingly, all the results related to the operations of the HPC product business of Guangzhou Bawang for the years ended 31 December 2006 and 2007 are consolidated. The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of our Group for the years ended 31 December 2006 and 2007 include the results of operations of the HPC product business of Guangzhou Bawang and the companies now comprising our Group. The consolidated income statements, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2008 only include the results of the companies comprising our Group.

The assets and liabilities which are related to the HPC product operation are consolidated using their existing book values from our Controlling Shareholders’ perspective. The consolidated balance sheet of our Group as of 31 December 2006 has been prepared to present the state of affairs of the HPC product business of Guangzhou Bawang and the companies now comprising our Group as of that date. The Retained Assets retained by Guangzhou Bawang were treated as deemed appropriations to the equity holders of our Group on 31 December 2007 and have not been included in the consolidated balance sheets as of 31 December 2007 and 2008. The consolidated balance sheets as of 31 December 2007 and 2008 have been prepared to present the state of affairs of the companies now comprising our Group as of these dates.

All material intra-group transactions and balances have been eliminated on consolidation.

For more information about the Reorganization, please refer to the section headed “Company History and Reorganization” and “Appendix V – Statutory and General Information” of this prospectus.

MAJOR FACTORS AFFECTING OUR PERFORMANCE

Our business, financial position and results of operations, as well as the period-to-period comparability of our results of operations, are significantly affected by a number of factors, including, but not limited to:

Consumer Preferences and Consumption Patterns

Our results of operations are largely affected by consumer preferences for HPC products containing Chinese herbal ingredients and their continuing demand for our kind of products in the markets. We have benefited from an increasing demand for Chinese herbal HPC products in the PRC primarily due to the trends of improving per capita disposable income and greater awareness of healthy lifestyles in the PRC. We have strived to integrate a healthy life image into our products through our continuous marketing efforts, such as those by our brand ambassador, Mr. Jackie Chan. However, consumer preferences and consumption patterns constantly change. Demand for our

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products may be adversely affected if consumers' belief that Chinese herbal HPC products may improve their lifestyle and health is weakened, or if they no longer associate our products with a healthy lifestyle. In addition, new products from our competitors may cause a change in consumer preferences, leading to a change of consumption patterns towards other types of health-related products.

Nonetheless, we currently expect continued demand for our products. We expect the market for our HPC products, particularly our Chinese herbal shampoo and hair-care products, to continue to grow in the near future. Through better allocation and investment of our resources, we are dedicated to optimizing our brand and product mix to reach more consumers, maximize our growth potential in existing and new markets, increase our market share and strategically position ourselves to benefit from new trends in the HPC product industry.

Competition and Market Positioning

We strive to position our products and compete at the higher end of the market. Through our advertisements and in-store marketing activities targeting certain consumer groups, we convey the message that our 霸王 (Bawang) products present a sound and quality solution to meet the needs of today's consumers for a healthy lifestyle, which allows us to price our products at the higher end of the shampoo and hair-care markets in the PRC. Nonetheless, the pricing and demand for our products are also affected by the intensity of the competition we face as the HPC product industry is highly competitive in the PRC as well as globally. The pricing of our products takes into considerations such as market supply and demand, the costs relating to promoting our brands and products, the costs of raw and packaging materials and the product price of our competitors.

Brand and Product Mix

We offer an extensive range of HPC products to consumers. Changes in the mix of products we sell, whether by brand or by product, will impact our sales and profitability. Profitability might differ due to various reasons including the different pricing ability of various brands and products as well as the costs associated with developing, producing, launching and marketing new and existing brands and products.

Our products are currently classified into three categories: (i) shampoo and hair-care products, (ii) skin-care products and (iii) Other Products such as toothpastes, shower gels and liquid soaps. The following table presents a summary of our product portfolio as of 31 December 2008.

<u>Product categories</u>	<u>Brands</u>	<u>Number of Key Product Series</u>	<u>Number of Key Products</u>
Shampoo and hair-care products	霸王 (Bawang)	7	30
	丽涛 (Litao)	1	2
Skin-care products	雪美人(Smerry)	1	3
Other Products	霸王 (Bawang)	1	1
	丽涛 (Litao)	2	3

We introduced a new series of Chinese herbal anti-dandruff and itch-relieving shampoo and hair-care products under the 追風 (Royal Wind) brand in 2009. Changes to our brand and product sales mix can be due to various reasons such as a change in our promotional efforts for certain products, the launching of new brands or product series, or a change in consumer demand for certain brands or products. During the years ended 31 December 2006, 2007 and 2008, our shampoo and hair-care products sold under the 霸王 (Bawang) brand as a percentage of total sales was 88.5% in 2006, 94.5% in 2007 and 93.6% in 2008, due to our focused promotional efforts on this brand and as a result, our profitability is substantially related to 霸王 (Bawang) branded products. Over the same period, we have optimized our product mix by introducing new product series such as the Natural Herbal Shampoo series and discontinued others that were not as popular or otherwise not in line with our product

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strategy. Please refer to the section headed “Description of Selected Income Statement Line Items – Revenue – By Product Type” in this section for further information. We will continue to optimize our brand and product mix, through monitoring market trends, competition, consumer preferences and our sales.

Distribution and Retail Network

Our ability to increase our sales and profit is directly affected by the coverage of our distribution and retail network as well as our ability to continue to attract distributors and retailers to purchase our products. As of 31 December 2008, our products were sold in 24 provinces and four municipalities in the PRC as well as in Hong Kong, Macao and Singapore. The number of our distributors and retailers increased over the Track Record Period as we expanded our distribution and retail network. As of 31 December 2008, we had direct relationships with 567 distributors and 46 KA retailers in the PRC, Hong Kong, Macao and Singapore.

Our sales and profit growth will continue to depend on our ability to expand through finding suitable distributors and retailers and their respective ability to further promote and sell our products. In the process of our market expansion, our strategy has been to focus on sales to retailers in more developed regions, such as the Southern and Eastern regions in the PRC, and to focus on sales to distributors that have wide coverage in the developing regions in the PRC. We also select different distributors for different districts to take advantage of their knowledge of the local distribution network. Leveraging on our brand recognition and premium product quality, we also plan to expand our distribution network into specialty stores like drugstore chains, salons and beauty service centers. We anticipate that the number of distributors and retailers will continue to grow with our domestic and overseas expansion, launch of new products, and increasing brand recognition. During the years ended 31 December 2006, 2007 and 2008, sales to our distributors represented 82.3%, 84.6% and 83.8% of our total revenue, respectively. Sales to retailers correspondingly represented a smaller portion of our overall sales. The profit margins derived from sales to KA retailers tend to be higher due to our ability to command higher selling prices by reducing intermediate distributors. As such, we plan to continue to focus on our selling efforts towards retailers where appropriate in order to achieve higher profitability.

Marketing and Promotional Activities

Our results of operations depend to a large extent on how well we market our brands and products and how efficiently we expend our resources in our sales and marketing activities to effectively promote our products. Over the years ended 31 December 2006, 2007 and 2008, our advertising and promotional expenses, as a percentage of total revenue, were 21.6%, 23.6% and 24.0%, respectively. Efficient and effective promotion and marketing increases demand for our products, helping not only our sales volume but also our pricing ability. Over the Track Record Period, we extensively advertised our brands and products through television and print media. We also launched new products through publicity events and periodically promoted our brands and products at major sales locations through trained salespersons throughout the year. Through these continuous marketing and promotional activities, we believe we have conveyed the message that our products are of high quality and presents an excellent solution to meet today’s consumer preferences for healthy lifestyles, which helps drive our sales and profitability. We have engaged in substantial marketing and promotional activities to raise awareness of our brands and products such as inviting well-known celebrities to be our brand ambassadors. Moreover, as part of our marketing activities, we sell bundled packages that include supplementary products, require retailers to display our products in a way that we believe better promotes our products and use packaging materials with our brand ambassador’s images on them to seize consumer attention. We have historically conducted more marketing activities during our third and fourth financial quarters in order to attract shoppers during holiday periods such as during Mid-Autumn festival, the Chinese national holiday and the Christmas holiday shopping season. During these holiday seasons, we typically air and/or publish more advertisements, engage more sales representatives to introduce our brands and products, display our products more prominently and offer

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more bundled packages that include supplementary products. As a result, our sales during these quarters have historically been greater than the rest of the year. Our marketing and promotional efforts have also helped improve our market share, in terms of shampoo retail sales, in the PRC market, from 3.2% in 2006 to 7.6% in the first half of 2008, according to Euromonitor. Nonetheless, because market conditions and consumer preferences constantly change, our marketing and promotional activities may not necessarily be effective in the future and may also change as we continually strive to tailor our marketing strategy to market conditions.

Costs of Raw and Packaging Materials

Costs of raw and packaging materials represent a significant portion of our revenue. For each of the years ended 31 December 2006, 2007 and 2008, such costs represented 39.5%, 42.8% and 32.1%, respectively, of our revenue. As such, any significant fluctuation in the price of raw and packaging materials may have a significant impact on our profitability.

Our raw materials mainly include Chinese herbs, surfactant, coconut oil and fragrance. Packaging materials mainly include plastic bottles, paper boxes and labels. In recent years, we experienced price fluctuations for some raw and packaging materials due to various factors such as weather disruptions and increased demand for commodities. Nevertheless, we were able to partially offset the impact of price increases of raw and packaging materials since we purchased these materials in large quantities and as a result, we had bargaining power with our suppliers to obtain better prices. Most of the Chinese herbs we use are readily available from independent suppliers and prices had remained relatively stable during the Track Record Period.

During each of the years ended 31 December 2006, 2007 and 2008, we had not used any financial instruments to hedge against future price fluctuations of our raw and packaging materials nor do we plan to do so in the near future.

Taxation

Our future profits will be affected by changes in tax rates, particularly the applicable tax rates in the PRC as we carry out the majority of our business and derive most of our revenue and profits from the PRC.

We are subject to income taxes in the PRC, including: (i) enterprise income tax and (ii) withholding income tax. The PRC enterprise income tax is calculated by multiplying the taxable income of Guangzhou Bawang and Bawang Guangzhou, which is calculated based on the PRC accounting principles after making adjustments according to the relevant PRC tax regulations, by the applicable tax rate. The withholding income tax will be calculated as a percentage of the dividends derived from Bawang Guangzhou for profits earned after 1 January 2008.

We also started to sell our products in Hong Kong in August 2008 and have become subject to the Hong Kong Profits Tax at the rate of 16.5% for our assessable profits derived from our trading operations in Hong Kong. Any changes in the taxes applicable to our business in the PRC and Hong Kong or anywhere else we will have operations in the future may affect our income tax expenses and our profitability.

On 16 March 2007, the National People's Congress of the PRC promulgated the Enterprise Income Tax Law of the PRC, which came into effect on 1 January 2008. The implementation of the Enterprise Income Tax Law has an effect on the level of income tax that we pay and the preferential tax treatment that we are entitled to. According to the income tax law of the PRC in effect before 1 January 2008, foreign invested enterprises ("FIEs") which are manufacturers with more than ten years of operations are exempt from paying income tax for the first two years starting from the year when the FIEs begin to make a taxable profit after deducting any losses that may be carried over from previous years, and thereafter enjoy a preferential tax rate with a 50.0% reduction for the following three years. Under the

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Enterprise Income Tax Law, the normal income tax rate of PRC business entities is reduced to 25.0%. It allows businesses that were entitled to an enterprise income tax rate lower than 25.0% before 1 January 2008 a five-year grace period to transition to the higher income tax rate of 25.0%.

Bawang Guangzhou qualified as manufacturing FIEs and therefore can enjoy such tax preferential treatment. For the years ended 31 December 2006 and 2007 and 2008, our effective tax rates were 1.6%, 0.4% and 18.3%, respectively. Our lower effective tax rates in 2006 and 2007 were mainly due to the enterprise income tax exemptions enjoyed by Bawang Guangzhou in these two years. Our effective tax rate in 2008 is higher because Bawang Guangzhou became subject to the preferential PRC enterprise income tax rate of 12.5% starting in 2008 and Bawang Hong Kong became subject to a PRC withholding income tax rate of 5.0%. After the expiration of the preferential tax rate applicable to Bawang Guangzhou, the PRC enterprise income tax rate will be 25.0% and the effective tax rate for the Group will thus become higher afterwards.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results as reported in our consolidated financial statements included elsewhere in this prospectus. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies in accordance with IFRSs that we believe are both important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies that we consider to be significant accounting policies, which are set forth in detail in Note 1 to the Accountants' Report in Appendix I to this prospectus.

Revenue Recognition

We measure revenue from the sale of goods at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates and excluding value added tax or other sales taxes. We recognize revenue when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfers of risks and rewards vary depending on the individual terms of contract of sales. Usually transfer occurs when the product is received at the customer's warehouse. For sales that contain a right of return by a customer, we recognize revenue only if the amount of future returns can be reasonably estimated. We usually make such estimation based on our past experience of actual sales returns. We did not experience any material returns over the Track Record Period. Accordingly, no returns subsequent to the Track Record Period were estimated and offset against our revenue over the Track Record Period. Sale returns are generally offset against the revenue in the period such returns occur.

Property, plant and equipment

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment less their estimated residual value. Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 20 years after the date of completion. The estimated useful lives of other property, plant and equipment are as follows:

- Machinery 10 years
- Motor vehicles 5-8 years
- Office equipment and others 5 years

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No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified above. Depreciation methods, useful life and residual value are reassessed at the reporting date.

Inventories

We measure inventories at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of the production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Impairments

We calculate the impairment loss of our financial and non-financial assets based on our historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Our estimates and judgments are continually evaluated. In particular,

- the impairment loss of trade and other receivables is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.
- the impairment loss of other investments, classified as available for sale financial assets, is calculated as the difference between their carrying amount and the fair market value.
- the impairment loss of certain property, plant and equipment is calculated as the difference between the carrying amount and the recoverable amount. The recoverable amount is the greater of its value in use and its fair value less cost to sell.
- the impairment loss of inventories is calculated as the difference between the carrying amount and the net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Our estimates are based on readily available information in determining an amount that is reasonable approximation of these values or prices, as the case may be. It is difficult to precisely estimate the values or prices we use in our calculations. A change in estimate will increase or decrease the above impairment losses which may substantially affect our business, financial condition and result of operations in future years.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

Our revenue represents the sales value of products supplied to customers, after allowance for returns and trade discounts excluding value-added taxes and other sales taxes.

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By Product Type

The following table sets forth the breakdown of our revenue by product categories for the periods indicated:

<u>Revenue</u>	Year ended 31 December					
	2006		2007		2008	
	<u>Amount (RMB'000)</u>	<u>% of Total Revenue</u>	<u>Amount (RMB'000)</u>	<u>% of Total Revenue</u>	<u>Amount (RMB'000)</u>	<u>% of Total Revenue</u>
Shampoo and hair-care products	362,522	92.4%	876,501	95.1%	1,334,142	94.5%
Skin-care products	8,210	2.1%	13,456	1.5%	7,871	0.6%
Other Products	21,637	5.5%	31,723	3.4%	69,235	4.9%
Total	<u>392,369</u>	<u>100.0%</u>	<u>921,680</u>	<u>100.0%</u>	<u>1,411,248</u>	<u>100.0%</u>

We adjust our brand and product portfolio based on information regarding market trends, competition, consumer preferences, sales performance and other data. Significant changes to our brands and products during the Track Record Period include:

- Contribution to overall sales from 霸王 (Bawang) branded shampoo and hair-care products increased from 88.5% in 2006 to 94.5% in 2007 and decreased slightly to 93.6% in 2008. This change primarily reflects our focus on the marketing and sales of such products. We plan to continue to focus our efforts on developing and marketing these products.
- Contribution to overall sales from 丽涛 (Litao) branded shampoo and hair-care products have correspondingly decreased from 3.9% in 2006 to 0.6% in 2007 but increased slightly to 0.9% in 2008. This change primarily reflects our focus on 霸王 (Bawang) branded products as noted above.
- As indicated in the table above, contribution to overall sales from our skin-care products (sold only through the 雪美人 (Smerry) brand) and Other Products decreased over 2006 and 2007 as we focused our resources on developing and marketing our 霸王 (Bawang) branded products. Nonetheless, contribution from these two categories increased slightly to 5.6% in 2008.

By Channel

The following table sets forth our revenue through distributors and retailers for the periods indicated:

<u>Revenue</u>	Year ended 31 December					
	2006		2007		2008	
	<u>Amount (RMB'000)</u>	<u>% of Total Revenue</u>	<u>Amount (RMB'000)</u>	<u>% of Total Revenue</u>	<u>Amount (RMB'000)</u>	<u>% of Total Revenue</u>
Distributors	322,847	82.3%	779,462	84.6%	1,182,597	83.8%
Retailers	69,522	17.7%	142,218	15.4%	228,651	16.2%
Total	<u>392,369</u>	<u>100.0%</u>	<u>921,680</u>	<u>100.0%</u>	<u>1,411,248</u>	<u>100.0%</u>

We derive the majority of our revenue from our distributors, and to a lesser extent, from our retailers. For the years ended 31 December 2006, 2007 and 2008, our revenue derived through our distributors was RMB322.8 million, RMB779.5 million and RMB1,182.6 million or 82.3%, 84.6% and 83.8% of our total revenue, respectively. Selling products through our distributors enabled us to achieve growth in overall sales by leveraging the respective strengths and advantages of the distributors engaged under our distribution arrangement. We plan to continue to sell and distribute our products mainly through our distributors, particularly in the rural areas in the PRC.

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We derived the remainder of our revenue from sales to retailers. The operating margins derived from sales to retailers are higher due to our ability to command higher selling prices by reducing intermediate distributors. As we gain more control of our distribution and retail network, we are able to sell more products to retailers directly. As such, we plan to continue our selling efforts in the sales to retailers to achieve an overall higher operating margin.

Cost of Sales

Our cost of sales includes costs of raw and packaging materials, labor and manufacturing overhead. Labor costs include wages and other compensation paid to production-line workers. Manufacturing overhead includes the cost of the outsourced production activities and the processing fees we pay to our sub-contractors and contract manufacturers, as well as operating lease expenses and utilities.

The following table sets forth the components of our cost of sales and as a percentage of revenue for the periods indicated:

	Year ended 31 December					
	2006		2007		2008	
	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue
Cost of Sales						
Raw materials	114,288	29.1%	281,694	30.6%	293,358	20.8%
Packaging materials	40,666	10.4%	112,529	12.2%	160,241	11.4%
Direct labor cost	5,511	1.4%	16,004	1.7%	33,828	2.4%
Manufacturing overhead	6,078	1.5%	12,481	1.4%	21,897	1.5%
Total	<u>166,543</u>	<u>42.4%</u>	<u>422,708</u>	<u>45.9%</u>	<u>509,324</u>	<u>36.1%</u>

We experienced significant increase in cost of sales primarily as a result of increased sales and production volume during the Track Record Period. Our cost of sales was RMB166.5 million, RMB422.7 million and RMB509.3 million, representing 42.4%, 45.9% and 36.1% of our revenue for the years ended 31 December 2006, 2007 and 2008, respectively. The costs of raw and packaging materials constituted the two biggest components of total cost of sales and they together accounted for 93.0%, 93.2% and 89.1% of the total costs of sales for the years ended 31 December 2006, 2007 and 2008, respectively.

Our cost of raw materials as a percentage of revenue remained relatively stable in 2007 at 30.6%, as compared to 29.1% in 2006, but decreased significantly to 20.8% in 2008 primarily due to decrease in average unit costs of raw materials as we changed our product formulae in 2008.

Our cost of packaging materials as a percentage of revenue increased from 10.4% in 2006 to 12.2% in 2007 mainly due to our change of packaging designs for some of our products and use of higher quality packaging materials. The cost decreased slightly to 11.4% in 2008 due to slightly lower unit costs.

Other Revenue

Other revenue represents the return on our investment in depositary products with investments in a portfolio of debt and equity securities.

Other Net (Losses)/Income

Other net (losses)/income consists of the net amount after settling non-operating losses against non-operating income. For the year ended 31 December 2008, other net losses of RMB0.8 million primarily reflect our charity donation of RMB1.0 million and assets write-off of RMB0.2 million, partially

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offset by payments of RMB0.1 million we received from our distributor in Singapore for the sale of marketing materials such as posters, product displays and pamphlets and amounts paid by PRC distributors in breach of our sales contracts for making sales in unauthorized districts. The liquidated damages paid by the breaching distributors were RMB0.4 million. In addition to the damages paid, the breaching distributors have also been warned not to make further sales in any unauthorized districts or they will risk losing their distributorships. We further increased our effort in collecting information of distributors and send them notices in advance to prevent potential breaches of contracts. The other net losses for the years ended 31 December 2006 and 2007 were negligible.

Selling and Distribution Costs

Selling and distribution costs include primarily expenses incurred in our marketing and promotional activities, such as salaries for our marketing and sales employees, advertising and promotional expenses, including payments to our brand ambassador, transportation expenses and miscellaneous other expenses.

The following table sets forth the components of our selling and distribution costs and as percentage of revenue for the periods indicated:

	Year ended 31 December					
	2006		2007		2008	
	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue
Selling and Distribution Costs						
Salary	7,235	1.8%	55,236	6.0%	119,679	8.5%
Advertising	64,779	16.5%	131,906	14.3%	159,451	11.3%
Promotion	20,008	5.1%	85,536	9.3%	179,551	12.7%
Transportation	1,204	0.3%	7,793	0.8%	21,716	1.5%
Other expenses	4,597	1.2%	12,257	1.4%	31,888	2.3%
Total	97,823	24.9%	292,728	31.8%	512,285	36.3%

Other expenses include social security payments for our sales employees, depreciation of our plant, property and equipment, meeting, office and travel expenses and miscellaneous small amounts incurred in the ordinary course of our selling and distribution activities.

Administrative Expenses

Administrative expenses include primarily salaries and other related benefits for our administrative staff, research and development expenses, Listing expenses we incurred in connection with the Global Offering and other general administrative costs arising from our daily operations.

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The following table sets forth the amounts of the components of our administrative expenses and as a percentage of the revenue for the periods indicated:

	Year ended 31 December					
	2006		2007		2008	
	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue	Amount (RMB'000)	% of Total Revenue
Administrative Expenses						
Salary	2,176	0.6%	6,448	0.7%	10,879	0.8%
Benefits	621	0.2%	3,005	0.3%	4,309	0.3%
Bad debt provision	800	0.2%	701	0.1%	538	0.0%
Research & development	—	—	—	—	3,812	0.3%
Listing expenses	—	—	—	—	14,425	1.0%
Others expenses	5,642	1.4%	13,371	1.5%	13,456	1.0%
Total	<u>9,239</u>	<u>2.4%</u>	<u>23,525</u>	<u>2.6%</u>	<u>47,419</u>	<u>3.4%</u>

Other expenses include social security payments for our administrative employees, depreciation of our office equipment, amortization of intangible assets, legal expenses and other administrative expenses.

Net Finance Income/(Costs)

Net finance income/(costs) consists of the net amount after settling finance income against finance costs. Finance income includes primarily interest income on deposits in banks and gains from the exchange of U.S. dollars into Renminbi for amounts payable in U.S. dollar to our brand ambassador. Finance costs comprise primarily foreign exchange losses we incurred upon conversion of foreign currencies from overseas capital injections.

Income Tax Expense

Our income tax expense includes provisions for the PRC enterprise income tax, current and deferred withholding income tax on the distributable earnings of our PRC operating subsidiary derived from the profits earned since 1 January 2008 and current Hong Kong Profits Tax.

Our effective tax rate for the years ended 31 December 2006, 2007 and 2008 were 1.6%, 0.4% and 18.3%, respectively. The lower effective tax rate in 2006 and 2007 was mainly due to the exemption from PRC enterprise income tax that Bawang Guangzhou enjoyed. Starting from 1 January 2008, our PRC operating subsidiary, Bawang Guangzhou, became subject to the preferential PRC enterprise income tax rate of 12.5%. Bawang Hong Kong became subject to PRC withholding income tax rate of 5.0% on the dividends derived from the profits of Bawang Guangzhou earned after 1 January 2008. Moreover, as we started to earn income in Hong Kong, our Hong Kong subsidiary Bawang Trading became subject to the Hong Kong Profits Tax at the rate of 16.5% for the 2008 to 2009 assessment period.

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RESULTS OF OPERATIONS

Selected consolidated income statement information

Our selected consolidated income statement information for the years ended 31 December 2006, 2007 and 2008 as set forth below is derived from our financial statements included in Appendix I to this prospectus:

	Year ended 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	392,369	921,680	1,411,248
Cost of sales	(166,543)	(422,708)	(509,324)
Gross profit	225,826	498,972	901,924
Other revenue	—	—	484
Other net (losses)/income	(207)	(266)	(779)
Selling and distribution costs	(97,823)	(292,728)	(512,285)
Administrative expenses	(9,239)	(23,525)	(47,419)
Results from operating activities	118,557	182,453	341,925
Net finance income / (costs)	(664)	(436)	3,117
Income tax expenses	(1,934)	(672)	(63,268)
Profit for the year attributable to the equity holders of the company	115,959	181,345	281,774

REVIEW OF HISTORICAL OPERATING RESULTS

2008 Compared to 2007

Revenue

Our total revenue increased by RMB489.6 million, or 53.1% to RMB1,411.2 million in 2008 as compared to RMB921.7 million in 2007, primarily due to increased sales of RMB457.6 million from our shampoo and hair-care products and RMB37.5 million from our Other Products. We attribute our substantial sales growth in 2008 mainly to:

- further expanded distribution and retail network, particularly in Southern and Eastern regions;
- successful launch of our products in Hong Kong and Singapore;
- our increased marketing efforts and improved brand image from increasing television advertising particularly through local TV channels;
- increased sales from our newly introduced Natural Herbal Shampoo series of 霸王 (Bawang) branded products introduced in August 2007; and
- greater consumer demand for Chinese herbal products.

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Shampoo and hair-care products. Revenue from our shampoo and hair-care products increased by RMB457.6 million, or 52.2%, to RMB1,334.1 million for 2008 as compared to 2007. Substantially all of our shampoo and hair-care product sales were attributed to 霸王 (Bawang) branded products. The overall increase was primarily due to our rapidly expanding distribution and retail network and strong marketing and promotional activities in the PRC. During the period, we promoted our 霸王 (Bawang) brand through advertisements of our brand ambassador by way of various media channels, including more local television channels. We also conducted more in-store marketing activities through improving product displays and selling bundled packages that include supplementary products to customers. In particular, the following product series helped fuel our growth during the period:

- Our Chinese Herbal Essence Shampoo series continued to sell well, growing 27.2% to RMB474.5 million, contributing 35.6% to our total sales in the shampoo and hair-care products category.
- Sales of our Anti-hair Loss and Regrow series increased 36.7% to RMB335.7 million, contributing 25.2% of total sales in this category.
- Sales of our Natural Herbal Shampoo series, launched in August 2007, grew substantially and reached RMB188.2 million during the period, contributing 14.1% of our total shampoo and hair-care sales.
- Sales of our Fruit Acid series grew to RMB162.0 million, contributing 12.1% of total sales in this category.

As part of our continued efforts to optimize our product mix, we discontinued our Anti-dandruff and Nutrition Treatment Oil shampoo products during the period.

Skin-care products. Revenue from skin-care products sold under the 雪美人 (Smerry) brand decreased by RMB5.6 million, or 41.5%, to RMB7.9 million in 2008, primarily due to (i) discontinuance of suntan and foundation products during our normal course of business to optimize our product portfolio and (ii) our strategic decision to expend more resources to sell shampoo and hair-care products under the 霸王 (Bawang) Brand.

Other Products. Revenue from Other Products increased by RMB37.5 million, or 118.3%, to RMB69.2 million as we intensified our marketing effort in this product category which mainly consists of toothpaste and shower gel products. In particular, our 丽涛 (Litao) branded shower gels gained popularity among our retail customers after we started to sell mega size packages. The increase in sales of shower gels in 2008 was RMB29.0 million. We also optimized our product mix and discontinued some less popular products such as soap and hand wash liquid.

As far as our personnel, assets and business are concerned, the earthquakes in Sichuan province in May 2008 did not result in serious interruptions to our production or service capabilities and we did not experience delays in delivery of our products to customers. Our Directors believe that the earthquakes in Sichuan province in May 2008 did not have a material impact on our production, sales or revenues.

Cost of sales

Our cost of sales increased by RMB86.6 million, or 20.5%, from RMB422.7 million in 2007 to RMB509.3 million in 2008. The overall increase in cost of sales was primarily due to increase in volume of production which was driven by higher demand for our products. For the year ended 31 December 2008, we incurred RMB0.9 million in expenses to extract Chinese herbal essence for our production. As a percentage of revenue, cost of sales decreased from 45.9% in 2007 to 36.1% in 2008 mainly due to decrease in unit costs of some raw and packaging materials and improvement of our product formulae which resulted in savings in the cost of raw and packaging materials.

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Gross profit and gross profit margin

As a result of the foregoing factors, our gross profit increased by RMB403.0 million, or 80.8% to RMB901.9 million in 2008. Our gross profit margin increased from 54.1% in 2007 to 63.9% in 2008 mainly due to the decrease in the cost of raw materials as a percentage of revenue.

Other revenue

Other revenue of RMB0.5 million represented the return on our investments from the financial products offered by several licensed financial institutions in the PRC during the period, consisting of depositary products with investments in a portfolio of debt and equity securities.

Other net losses

We had other net losses of RMB0.8 million in 2008. Our other net losses were primarily due to our charity donation of RMB1.0 million and asset write-off of RMB0.2 million, which were partially offset by payments of RMB0.1 million from our distributor in Singapore for the marketing materials such as posters, product displays, and pamphlets and damages of RMB0.4 million paid by several customers for breaching distribution or purchase agreements.

Selling and distribution costs

Our selling and distribution costs increased by RMB219.6 million, or 75.0% to RMB512.3 million in 2008, primarily as a result of an increase of: RMB64.4 million in salary; RMB27.5 million in advertising expenses, including amounts paid for media advertising and to our brand ambassador; RMB94.0 million in promotion expenses, including expenses for promotional events and materials; RMB13.9 million in transportation expenses, RMB7.2 million in meeting expenses and RMB7.2 million in traveling expenses. The overall increase of selling and distribution costs in 2008 as compared to 2007 was primarily driven by the increase in sales.

Our selling and distribution costs as a percentage of revenue increased from 31.8% in 2007 to 36.3% in 2008, primarily due to the faster increase in salary, promotion expenses, transportation expenses, meeting and traveling expenses, as compared to the increase in revenue. Salary, promotion expenses and transportation expenses, as percentages of revenue, increased from 6.0%, 9.3% and 0.8% in 2007 to 8.5%, 12.7% and 1.5% in 2008, respectively. The salary increased faster than our revenue growth primarily because (i) we engaged 561 more contract personnel through an independent third-party employment agency as sales representatives; and (ii) we also engaged more contract personnel through an independent third-party employment agency as salespersons during the first nine months of 2008 until we ceased doing so after we engaged an independent third-party marketing and promotion company in September 2008. In 2008, the average wage of staff and workers in Guangzhou increased by approximately 12.6%. We incurred RMB132.1 million to the employment agency and the marketing and promotion company for sales representatives and sales persons to help us market and distribute our products in 2008. We increased the frequency of our in-store marketing and improved our product displays which led to greater promotion expenses. As we sold more products in regions more distant from our production facilities located in Guangzhou and gasoline price rose significantly, we further incurred more transportation expenses to deliver our products to those markets. Our meeting and traveling expenses also increased in line with our more frequent marketing and promotional activities. The increase of selling and distribution costs as a percentage of revenue, however, was partially offset by the decrease in advertising expenses as a percentage of revenue, which decreased from 14.3% in 2007 to 11.3% in 2008. This is primarily due to the fact that our product message was aired more often through the local or regional television channels, which generally charged less than national television channels.

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Administrative expenses

Our administrative expenses increased by RMB23.9 million, or 101.6% to RMB47.4 million in 2008, primarily as a result of RMB14.4 million of Listing expenses, an increase of RMB6.7 million in salaries and benefits and RMB3.8 million of research and development expenses. As a percentage of revenue, our administrative expense increased from 2.6% in 2007 to 3.4% in 2008.

Results from operating activities

As a result of the foregoing factors, our results from operating activities increased by RMB159.5 million, or 87.4% to RMB341.9 million in 2008. Our operating profit margin increased from 19.8% in 2007 to 24.2% in 2008, primarily due to the decrease in costs of sales, which was partially offset by increase in selling and distribution costs.

Net finance income/(costs)

Our finance income increased by RMB1.7 million to RMB3.1 million in 2008, primarily due to an increase in interest income on bank deposits of RMB0.5 million, and recognition of a net foreign exchange gain of RMB1.2 million on advertising fees payable to our brand ambassador in U.S. dollars. There were no net foreign exchange losses in 2008. The net finance cost in 2007 was negligible.

Income tax expenses

Our income tax expense increased by RMB62.6 million from RMB0.7 million in 2007 to RMB63.3 million in 2008. The tax exemption enjoyed by our PRC operating subsidiary, Bawang Guangzhou expired in 2007. Starting from 1 January 2008, Bawang Guangzhou became subject to the preferential PRC enterprise income tax at the rate of 12.5% and Bawang Hong Kong became subject to a withholding income tax on the dividends derived from the profits of Bawang Guangzhou earned after 1 January 2008 at the rate of 5.0%. Bawang Trading is subject to the Hong Kong Profits Tax at the rate of 16.5% as we started to derive income from our sales in Hong Kong. As a result, our effective tax rate increased from 0.4% in 2007 to 18.3% in 2008.

Profit for the year

As a result of the foregoing factors, our net profit for the year increased by RMB100.4 million, or 55.4%, to RMB281.8 million in 2008. Our net profit margin slightly increased from 19.7% in 2007 to 20.0% in 2008 primarily due to the decrease in the costs of sales as a percentage of revenue, which was offset partially by increase in selling and distribution costs as a percentage of revenue and by the higher effective tax rate.

2007 Compared to 2006

Revenue

Our total revenue increased by RMB529.3 million, or 134.9%, to RMB921.7 million in 2007, due to increased sales of RMB514.0 million from our shampoo and hair-care products, RMB5.2 million from our skin-care products and RMB10.1 million from our Other Products. We attribute our substantial sales growth in 2007 mainly to:

- further expanded distribution and retail network particularly in the Southern region and Northern & Northeastern region;
- launch of the Natural Herbal Shampoo series of products under the 霸王 (Bawang) brand in August 2007;
- our increased marketing efforts and improved brand image with newly launched television commercials; and
- greater consumer demand for herbal products.

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Shampoo and hair-care products. Revenue from our shampoo and hair-care products increased by RMB514.0 million, or 141.8% to RMB876.5 million in 2007. Substantially all of our shampoo and hair-care product sales were attributable to 霸王 (Bawang) branded products. As noted above, the overall increase in the period was primarily due to our continued rapid expansion of our distribution and retail network, and strong marketing and promotional activities in the PRC. Consumer awareness of our 霸王 (Bawang) brand and products continued to gain momentum in 2007 as (i) we aired more commercials with our brand ambassador throughout the PRC and (ii) our products became more widely available to consumers through increased retail locations selling our products in the PRC. The following product series particularly helped increase our sales in 2007:

- Sales of our Chinese Herbal Essence Shampoo series increased significantly by 239.5% to RMB373.0 million, contributing 42.6% to our total sales in the shampoo and hair-care products category.
- Sales of our Anti-hair Loss and Regrowing series also increased significantly by 143.2% to RMB245.5 million, contributing 28.0% of total sales in this category.
- Sales of our Fruit Acid series grew 36.4% to RMB94.2 million, contributing 10.7% of total sales in this category.

Skin-care products. Revenue from skin-care products sold under the 雪美人 (Smerry) brand experienced growth of RMB5.2 million, or 63.9%, to RMB13.5 million in 2007, as this brand continued to gain consumer acceptance and more products were sold through our sole retailer.

Other Products. Revenue from Other Products increased by RMB10.1 million, or 46.6%, to RMB31.7 million in 2007, primarily due to increase in sales of 霸王 (Bawang) branded toothpaste by RMB9.1 million, and 丽涛 (Litao) branded shower gel sales by RMB4.6 million, which were partially offset by a decrease in 丽涛 (Litao) branded toothpaste by RMB3.8 million.

Cost of sales

Our cost of sales increased by RMB256.2 million, or 153.8%, from RMB166.5 million in 2006 to RMB422.7 million in 2007, mainly due to an increase in cost of raw materials of RMB167.4 million and an increase cost of packaging materials of RMB71.9 million. The overall increase in cost of sales was primarily due to increased sales and production driven by higher demand for our products. As a percentage of revenue, cost of sales increased slightly from 42.4% in 2006 to 45.9% in 2007 mainly due to more sales of bundled packages that include supplementary products and rising market compensation rates for production-line employees. In 2007, salaries in Guangzhou generally increased by approximately 10%. The price of raw materials remained stable during the period.

Gross profit and gross profit margin

Our gross profit increased by RMB273.1 million, or 121.0%, to RMB499.0 million in 2007. Our gross profit margin decreased slightly from 57.6% in 2006 to 54.1% in 2007, primarily due to the increase in cost of sales as discussed above.

Other net losses

The change in the other net losses was negligible in 2007.

Selling and distribution costs

Our selling and distribution costs increased by RMB194.9 million, or 199.2%, to RMB292.7 million in 2007, primarily as result of an increase of RMB48.0 million in salary, RMB67.1 million in advertising expenses and RMB65.5 million in promotion expenses. The distribution expense increase in 2007 was primarily due to our expansion of our distribution and retail network into new markets and continuous marketing efforts to promote our brands through our brand ambassador, in-store promotions and increased product displays.

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Our selling and distribution costs as a percentage of revenue increased from 24.9% in 2006 to 31.8% in 2007, primarily due to faster increases in salary and promotion expenses and advertising expenses, as compared to the increase in revenue. Salary and promotion expenses, as percentages of revenue, increased from 1.8% and 5.1% in 2006 to 6.0% and 9.3% in 2007, respectively. The salary increased faster than our revenue growth due to the rising market compensation rates for skilled salespersons and increased use of such salespersons in promotional activities. We engaged 92 more sales representatives and 6,219 more salespersons through an employment agency. We also conducted more promotional and advertising activities in developing markets to help increase consumer familiarity with our products and assisted our distributors and retailers in areas where profitability was typically lower. Such developing markets included the Southern, Northern and Northeastern regions. We made significant investment in building our distribution and retail network in the Eastern and Northern and Northwestern regions of the PRC. We engaged an employment agency and incurred RMB47.1 million to such agency for sales representatives and salespersons to help us market and distribute our products in 2007. We also increased the frequency of our promotional activities, offered more discounts and commissions in line with our business expansion to enhance their awareness of our brands and products.

Administrative expenses

Our administrative expenses increased by RMB14.3 million, or 154.6% to RMB23.5 million in 2007, primarily as result of an increase of RMB6.7 million in salaries and direct benefits. As a percentage of revenue, our administrative expense increased only slightly from 2.4% in 2006 to 2.6% in 2007. As of 31 December 2007, we had 128 more administrative staff members than 31 December 2006, all relating to the management and support of KA retailers due to increasing amount of administrative work resulted from the expansion of our business and as a result, our salaries and direct benefits increased by RMB6.7 million. The total number of our administrative staff members was 309 as of 31 December 2007, as compared to 181 as of 31 December 2006.

Results from operating activities

As a result of the foregoing factors, our results from operating activities increased by RMB63.9 million, or 53.9%, to RMB182.5 million in 2007. Our operating profit margin decreased from 30.2% in 2006 to 19.8% in 2007, primarily due to the increase in selling and distribution costs as a result of our increased expansion and marketing efforts as noted above.

Net finance income/(costs)

The change in net finance costs in 2007 was negligible.

Income tax expenses

Our income tax expense decreased from RMB1.9 million in 2006 to RMB0.7 million in 2007 primarily because we derived more profits from Bawang Guangzhou, which enjoyed a tax exemption in the PRC in both 2006 and 2007. Correspondingly, our effective tax rate decreased from 1.6% in 2006 to 0.4% in 2007.

Profit for the year

As a result of the forgoing factors, our profit for the year increased by RMB65.4 million, or 56.4%, to RMB181.3 million in 2007. Our net profit margin decreased from 29.6% in 2006 to 19.7% in 2007 primarily due to the increase in selling and distribution costs as a result of our continued expansion and marketing efforts.

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LIQUIDITY AND CAPITAL RESOURCES

Prior to the Listing, we funded our operations principally from the proceeds from sales of our products and through capital injections by our Shareholders. Our principal liquidity and capital requirements relate to the following:

- costs and expenses related to the operation of our business and production facility, procurement of raw and packaging materials and building of inventory; and
- capital expenditures for the purchase of equipment, land lease and relocation of our production facility.

After the Listing, we expect to meet our liquidity needs from cash generated from our operations, and debt and equity financings, including the proceeds of the Global Offering.

The following table is a condensed summary of our consolidated cash flow statements for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash generated from operating activities	54,799	213,162	251,451
Net cash generated from / (used in) investing activities	(3,321)	(111,114)	90,290
Net cash generated from / (used in) financing activities	(25,163)	(70,659)	(146,423)
Net increase in cash and cash equivalents	26,315	31,389	195,318
Cash and cash equivalents as of 1 January	45,126	71,441	102,830
Cash and cash equivalents as of period end	71,441	102,830	298,148

Net cash generated from operating activities

Over the Track Record Period, we derived our cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities was principally for the purchase of raw and packaging materials, payment of employees' compensation and expenses for marketing and distributing our products.

For the year ended 31 December 2008, our net cash generated from operating activities was RMB251.5 million, primarily reflecting profit before tax of RMB345.0 million and an increase in amounts due to related parties of RMB12.6 million, which were partially offset by an increase in inventories of RMB10.0 million, a decrease in trade and other payables of RMB66.7 million and income tax paid of RMB43.2 million. The increase in amounts due to related parties was primarily a result from treasury arrangements between the entities wholly controlled by our Controlling Shareholders, where excessive cash and funding requirements are centrally considered and arranged, leading to certain related party balances with non-trade nature. The increase in inventories was primarily due to the greater production and stockpiling of finished products in preparation for the shutdown of production over the Chinese New Year holidays in January 2009. The decrease in trade and other payables was due to earlier payments to suppliers as a result of the PRC market practice to settle payments in the month ahead of the Chinese New Year holidays in January 2009 and our strong cash position in the period. We made a tax payment of RMB43.2 million to the PRC tax authorities due to expiration of the tax exemption for Bawang Guangzhou and its becoming subject to the preferential enterprise income tax of 12.5%.

For the year ended 31 December 2007, our net cash generated from operating activities was RMB213.2 million, primarily reflecting profit before tax of RMB182.0 million, a decrease in inventories of RMB41.7 million and an increase in trade and other payables of RMB148.3 million, which were partially offset by increases in trade and other receivables of RMB53.1 million and amounts due from related parties of RMB124.3 million. The decrease in inventories was primarily due to better inventory

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management leading to our ability to secure raw materials on a timely basis thereby reducing our need to store excess inventory. The increase in trade and other payables was in line with our business expansion and revenue growth. The increase in amounts due from related parties was primarily a result from the treasury arrangements between the entities wholly controlled by our Controlling Shareholders, where excess cash and funding requirements are centrally considered and arranged, leading to certain related party balances with non-trade nature. The increase in trade and other receivables was in line with our business expansion and revenue growth.

For the year ended 31 December 2006, our net cash generated from operating activities was RMB54.8 million, primarily reflecting profit before tax of RMB117.9 million and an increase in trade and other payables of RMB57.2 million, which were partially offset by increases in inventories of RMB45.2 million, trade and other receivables of RMB59.2 million and amounts due from related parties of RMB16.0 million. The increase in trade and other payables was in line with our business expansion and revenue growth. The increase in inventories was primarily due to increases in raw and packaging materials and finished goods at our production facility as we increased our volume of production in anticipation of increase in market demand. The increase in trade and other receivables was in line with our business expansion and revenue growth.

Net cash generated from/used in investing activities

Over the Track Record Period, we derived our cash inflows from investing activities principally from the interests on our bank deposits. Our cash used in investing activities was principally for acquisition of property, plant and equipment for our production and short-term investments made in financial products with a purpose to enhance returns on temporarily excessive cash.

For the year ended 31 December 2008, net cash generated from investing activities amounted to RMB90.3 million, primarily due to a net cash inflow of RMB100.5 million reflecting the return of a principal amount of RMB100.0 million and an income of RMB0.5 million from depositary products with investments in a portfolio of debt securities of low risk and high liquidity, partially offset by our investment of RMB12.2 million in acquiring machinery, logistical and electronic equipment for expanding our production lines. Due to our healthy operating cash flow in 2008, we had excess cash on hand, which we used for short-term investments with a purpose to enhance our returns. As such, for better cash management purpose, we purchased seven depositary products of different principal amounts at different times during the first nine months of 2008. These products were offered by Bank of China and China Merchants Bank. Each product consisted of a portfolio of low risk and highly liquid debt securities chosen by its offering bank, including but not limited to treasury bills, central bank bills, financial bonds, high-grade enterprise/corporate bonds, short-term financing bonds and certain high grade investment products traded in the interbank debt market. We purchased these products according to our acceptable levels of risk and return based on the offering materials by the respective offering banks. The selection of specific securities within portfolios was determined at the respective offering banks' discretion. The rate of return of these products was linked to indexes for the debt securities constituting the portfolio. The expected rate of return of these products in their respective purchase agreements ranged from 2.0% to 3.0% and the actual rate of return ranged from 1.97% to 2.96%. Their respective length of maturity varied from seven days to one month. The principal amounts of these depositary products ranged from RMB20.0 million to RMB200.0 million and were guaranteed according to their respective offering banks. Upon the maturity of these products, the principal, together with the return on the investment, would be deposited into our bank accounts. All of these depositary products were held to maturity and the last one was redeemed on 28 September 2008.

For the year ended 31 December 2008, the cumulative principal amount invested in the abovementioned depositary products was RMB410.0 million (reflecting the seven separate investments in 2008) and the cumulative principal amount of the depositary products redeemed was RMB510.0 million reflecting the corresponding redemption, including the principal amount of RMB100.0 million from the depositary product purchased in 2007 but redeemed in 2008. The net cash inflow from the return of the principal amount was therefore RMB100.0 million. We recognized income

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of RMB0.5 million from our investment for the year ended 31 December 2008, which was accounted for as Other Revenue in our Group's consolidated income statement for the same period.

We have not made any investments in depositary products since 30 September 2008 and have no plans to do so in the near future. After Listing, we plan to deposit any excess cash in our current or money market accounts with licensed financial institutions until it is expended for our operations.

For the year ended 31 December 2007, net cash used in investing activities amounted to RMB111.1 million, primarily due to our investment of RMB12.6 million in acquiring machinery, logistical and electronic equipment for expanding our production lines and our investment of RMB100.0 million in a depositary product with investments in a portfolio of debt securities of low risk and high liquidity, partially offset by RMB1.5 million in interest received on our bank deposits. Due to our healthy operating cash flow in 2007 we had excess cash on hand which we invested for a short term to enhance our returns. As such, for better cash management purpose, we made an investment of RMB100.0 million in 2007 in a depositary product offered by Bank of China. The product consisted of a portfolio of low risk and highly liquid debt securities chosen by Bank of China, including but not limited to treasury bills, central bank bills, financial bonds and certain high grade investment products traded in the interbank debt market. We purchased the product according to our acceptable levels of risk and return based on the offering materials by Bank of China. The selection of specific securities within the portfolio was determined by Bank of China. The rate of return of this product was linked to the indexes for the debt securities constituting the portfolio. The expected rate of return of this product in the purchase agreement was 2.0% and the actual rate of return of this product was 1.97% and its length of maturity was one month. According to Bank of China, the return of the principal amount would be guaranteed. This depositary product was held to maturity and redeemed on 25 January 2008. The income from our investment in this depositary product was recognized and accounted for as Other Revenue in our consolidated income statement in 2008.

For the year ended 31 December 2006, net cash used in investing activities amounted to RMB3.3 million, which was primarily due to our investment of RMB3.9 million in acquiring machinery, logistical and electronic equipment for expanding our production lines, partially offset by interests of RMB0.5 million we received on our bank deposits.

Net cash generated from / used in financing activities

Over the Track Record Period, we derived our cash inflows from financing activities principally from the capital contributions from our Controlling Shareholders. Our cash outflows in financing activities were principally from the cash distributions and deemed distributions to equity owners in connection with the Reorganization and dividends paid to our shareholders.

For the year ended 31 December 2008, we had a net cash outflow of RMB146.4 million, which was due to payment of dividends of the same amount to our shareholders in May 2008.

For the year ended 31 December 2007, we had a net cash outflow of RMB70.7 million, which was primarily due to special dividend payment to shareholders in the amount of RMB114.9 million prior to the completion of the Reorganization and a cash distribution of RMB26.1 million to equity owners upon the Reorganization. This was partially offset by capital contribution of RMB71.9 million from our Controlling Shareholders during the year. The cash distribution was made for the purpose of separating business activities conducted by our Group from those by our Controlling Shareholders under the name or for the benefit of entities not within our Group. See "Accountants' Report – Section A" in Appendix I to this prospectus.

For the year ended 31 December 2006, we had a net cash outflow used in financing activities of RMB25.2 million. The net cash outflow was primarily due to the payments of RMB95.8 million in connection with the assets and liabilities not related to our HPC product business being carved out partially offset by the capital contribution of RMB70.6 million from our Controlling Shareholders.

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Inventory

Our inventory comprises raw materials, work in progress, finished goods and packaging materials for our products. The value of our inventory accounted for 32.1%, 8.1% and 8.4% of our total current assets as of 31 December 2006, 2007 and 2008, respectively.

The following table sets forth our inventory positions for the periods indicated:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials	45,913	3,760	4,194
Work in progress	—	3,077	4,500
Finished goods	27,236	26,108	32,164
Packaging materials	10,524	9,038	11,134
Total	83,673	41,983	51,992

In 2007, our inventory decreased by approximately 49.8%, from RMB83.7 million as of 31 December 2006 to RMB42.0 million as of 31 December 2007, primarily due to an decrease of RMB42.2 million in raw materials. Our inventory management system was more effective and we were able to optimize our inventories by securing timely supplies for our production. We did not need to store large quantities of raw materials at our production facility as we carefully selected a group of reliable suppliers who were able to make prompt deliveries of quality raw materials after we placed purchase orders. The prompt and secured supplies of raw materials gave us the flexibility to place smaller orders at higher frequencies to adjust to our changing production needs, leading to a smaller amount of raw materials stored at our production facility.

In 2008, our inventory increased by approximately 23.8%, from RMB42.0 million as of 31 December 2007 to RMB52.0 million as of 31 December 2008, primarily due to an increase of RMB6.1 million in finished goods and RMB2.1 million in packaging materials. The increases were primarily due to the greater production and stockpiling of finished products in preparation for the shutdown of production over the Chinese New Year holidays in January 2009.

As of 30 April 2009, being the most recent practicable date such information is available to us, raw materials of RMB3.7 million and packaging materials of RMB9.2 million had been used in production, work in progress of RMB4.5 million had been completed and finished goods of RMB27.9 million had been sold to our customers.

We continued our successful practice of inventory management. We further implemented an ERP system to better monitor our inventory, match purchase orders with our production schedules and supplies of raw and packaging materials in order to minimize inventory levels.

We did not experience any material impairment to our inventory, such as from slow moving or otherwise obsolete inventory, over the Track Record Period and thus did not provide for any inventory impairment allowance during the Track Record Period.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
Average inventory turnover days*	134	54	34

Note:

* Calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for the period, multiplied by 365 days for a year in respect of periods indicated.

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The average inventory turnover days decreased from 134 days in 2006 to 54 days in 2007, primarily as a result of the rapidly growing market demand for our products that significantly lowered our inventory levels and better inventory control of our raw and packaging materials. We further benefited from faster deliveries of raw and packaging materials by our suppliers, who undertook to fulfil our orders within a shorter lead time. As such, we no longer needed to store a large quantities of raw and packaging materials thereby lowering our inventory levels. Average inventory turnover days further decreased to 34 days in 2008 as we gained a better understanding of market demand and made better estimates to match our purchase orders with production and sales. The lower average turnover days in 2008 was further attributable to our newly-installed ERP system, which provides us with instant information about purchases, production schedules and supplies of raw and packaging materials and facilitated our decision-making process by providing us with quick access to various data and easy formulation of operating models.

Trade and Other Receivables

Trade Receivables

Our trade receivables represent primarily the balances due from our distributors and retailers, to which certain terms of credit are offered, in the ordinary course of business.

The following table sets forth our trade and other receivables at the indicated balance sheet dates:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables	59,835	89,984	101,773

In 2007, our trade receivables increased by RMB30.1 million, or 50.4%, to RMB90.0 million as of 31 December 2007, primarily due to our further expansion of our distribution and retail network and further increase in our products delivered to more retailers and distributors on credit terms. The strong sales of our products enabled us to select customers with better payment ability and we received more payments before or upon delivery of our products. As a result, our trade receivables increased at a lower rate than our revenue in 2007.

In 2008, our trade receivables increased to RMB101.8 million as of 31 December 2008, primarily due to our increased sales to retail and distributor customers, which usually receive a credit term of 30 to 90 days from us. As of 30 April 2009, being the most recent practicable date such information is available to us, we had received RMB89.2 million in payments from our customers.

As of 30 April 2009, most of the trade receivables that remained outstanding were still within their respective credit terms. Based on these customers' payment history and financial condition, we believe that the outstanding amounts will be paid in the due course of our business.

The following table sets forth the average trade receivable turnover days for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	Average net trade receivable turnover days*	35	30

Note:

* Calculated as the average of the beginning and ending net trade receivable balances for the period, divided by revenue for the period, multiplied by 365 days for a year in respect of periods indicated.

The average net trade receivable turnover days decreased from 35 days in 2006 to 30 days in 2007 and 25 days in 2008, primarily due to our effective credit control and careful selection of customers with better payment ability. As the consumer demand for our products grew substantially during the

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same period, more retailers and distributors approached us to purchase our products providing us with the flexibility to select more financially strong customers. The customers receiving credit from us were able to make faster payments as they derived better cash flows from stronger sales. We obtained more efficient credit control of our customers through establishing a credit history and increased business dealings with them. We were able to select customers with better payment ability and received a higher percentage of payments within a shorter period after delivery of our products as our products became increasingly in short supply.

The following table sets forth a summary of the age of our trade receivables by due date for the periods indicated:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Current	32,941	75,841	72,450
Less than 3 months past due	22,839	7,190	27,096
3 to 6 months past due	4,064	2,188	2,227
More than 6 months but less than 12 months past due	1,452	4,422	101
More than 12 months but less than 24 months past due	1,392	1,844	—
Gross trade receivables	62,688	91,485	101,874
Less: impairment loss for doubtful debts	(2,853)	(1,501)	(101)
Net trade receivables	59,835	89,984	101,773

Our customers primarily include distributors and retailers. As of 31 December 2006, 2007 and 2008, the total number of our distributors was 374, 530 and 567, respectively, and the total number of our retailers was 24, 36 and 46, respectively.

We establish a revolving credit limit and/or credit term ranging from 30 to 90 days for each customer, which are the maximum open amount and/or credit term without requiring approval from our Board. We review these limits annually and customers that fail to meet our benchmark creditworthiness may only trade with us on a prepayment basis. We do not collect collateral in respect of trade and other receivables. We generally invoice our retail customers upon each shipment of our products. Our retail customers are usually required to make payment to us within 60 days after inspection and acceptance of our products.

The increase in trade receivables during the Track Record Period was in line with our business growth and the trade receivables due within three month constituted 89.0%, 90.7% and 97.7% of gross trade receivables as of 31 December 2006 and 2007 and 2008, respectively.

The impairment loss for doubtful debts decreased from 4.6% of gross receivables as of 31 December 2006 to 1.6% as of 31 December 2007 and 0.1% as of 31 December 2008, due to our effective credit control and careful selection of customers with better payment ability. Our impairment loss for doubtful debts mainly reflects provisions for losses resulting from the inability of various smaller customers to pay us in full. Based on our experience, we believe that no further impairment allowance is necessary in respect of remaining trade receivables. All our customers have frequent transactions with us and maintained a good track record with us.

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Other Receivables

The following table sets forth our other receivables at the indicated balance sheet dates:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Prepayment for purchase of raw materials	6,093	9,472	1,004
Prepaid advertising fee	21,745	40,307	26,956
Other receivables	1,155	1,441	6,762
Total	28,993	51,220	34,722

Our prepaid advertising fee comprises prepayments to television stations, media companies and brand ambassador. During the year ended 31 December 2007, our prepayment for purchase of raw materials and prepaid advertising fees increased in line with our business expansion and sales of products. Our prepayment for purchase of raw materials decreased by RMB8.5 million to RMB1.0 million as of 31 December 2008 because of the shutdown of production due to the Chinese New Year holidays in January 2009. Our prepaid advertising balance decreased to RMB27.0 million as of 31 December 2008 as compared to RMB40.3 million as of 31 December 2007 mainly because (i) less prepayment was made to some television stations due to our improved business relationships with and stronger bargaining power over these stations as a result of our increased volume of business; and (ii) less prepayment was made to our brand ambassador due to pre-existing payment arrangements as well as the amortization of the prepayments to our brand ambassador in the previous year. Other receivables comprise tax recoverable and prepayments to marketing and promotion service companies and utilities companies. As of 31 December 2008, our prepayment for purchase of raw materials and prepaid advertising fee were RMB1.0 million and RMB27.0 million, respectively, and as of 30 April 2009, RMB1.0 million of the prepayment for raw materials and RMB14.8 million of the prepaid advertising fees had been expensed, respectively.

Trade and Other Payables

Trade Payables

Our trade payables are generated from the purchase from our suppliers of raw and packaging materials and processing fees payable to third-party contractors relating to outsourced work.

The following table sets forth our trade payables at the indicated balance sheet dates:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables	38,831	114,957	60,754

In 2007, our trade payables increased by RMB76.1 million, or 196.0%, to RMB115.0 million as of 31 December 2007, primarily due to increased purchases of raw materials to meet increased sales. Our trade payable grew at a faster rate than the cost of sales during the same period mainly due to our increased purchases based on greater credit granted by our suppliers resulted from our stronger bargaining power from increased purchases. Towards the end of 2007, we placed orders for more raw and packaging materials in anticipation of the rapid sales growth in 2008, which resulted in higher amounts of trade payables.

As of 31 December 2008, our trade payables decreased to RMB60.8 million as we paid off a higher amount of payables as a result of the PRC market practice to settle payments in the month ahead of the Chinese New Year holidays in January 2009 and our strong cash position in the period. We derived

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strong cash flow from our operating activities and relied to a less extent on the credit from our suppliers. As of 30 April 2009, payments in the aggregate amount of RMB60.0 million had been made to our suppliers in connection therewith.

The following table sets forth our average trade payable turnover days for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	Average trade payable turnover days*	57	66

Note:

* Calculated as the average of the beginning and ending trade payable balances for the period, divided by the cost of sales in the period, multiplied by 365 days for a year in respect of periods indicated.

The following table sets forth a summary of the age of our trade payables for the periods indicated:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Due within one month or on demand	6,752	82,229	39,483
Due after one month but within 3 months	32,079	32,728	21,271
Total	38,831	114,957	60,754

The average trade payable turnover days in 2006 was approximately 57 days. The average trade payables turnover days increased to 66 days in 2007 and 63 days in 2008, as our business grew substantially providing us with greater flexibility to negotiate with our suppliers for longer credit terms based on our past good credit history and large purchase volume. We are usually allowed 30 to 90 days' credit according to our supply agreements or make payments on demand where there is no such agreement. We usually settle payment on a monthly basis. As of 31 December 2007, the trade payables due within one month or on demand increased to RMB82.2 million in line with our business expansion and revenue growth. As of 31 December 2008, the trade payables due within one month or on demand decreased to RMB39.5 million because we paid a large portion of our payables before the year end with excess cash on hand and as a result of the PRC market practice to settle payments in the month ahead of the coming Chinese New Year holidays, which came in January 2009. In general, we try to settle payments within the discount window before the expiry of the credit term. We did not receive any discount during the years ended 31 December 2006 and 2007. For the year ended 31 December 2008, the amount of discounts we received from our suppliers was RMB0.4 million. As of 30 April 2009, being the most recent practicable date such information is available to us, we had paid all our payables before expiration of our credit terms and there were no trade payables that had remained unpaid for more than 90 days.

Other Payables

The following table sets forth our trade and other payables at the indicated balance sheet dates:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Receipts in advance	38,854	54,939	41,669
Payable to advertising agents	1,520	1,052	5,578
Promotion fee payable	4,553	29,131	20,663
Accrued payroll	2,162	11,397	9,848
Others payables and accruals	8,134	27,235	33,485
Total	55,223	123,754	111,243

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Other payables include the payments we received from our customers prior to delivery of our products, amounts payable to our advertising agents, fees payable to our customers or agents for displays and promotional activities, wages and benefits payable to our salespersons and other payables and accruals. Other payables and accruals primarily consist of value-added and other taxes and accrued sales rebates to distributors and retailers. As of 31 December 2008, our receipts in advance were RMB41.7 million and as of 30 April 2009, being the most recent practicable date such information is available to us, RMB41.0 million had been recognized as revenue.

WORKING CAPITAL

Taking into account the net proceeds available to us from the Global Offering, our available credit facilities and our operating cash flow, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

NET CURRENT ASSETS

Details of our current assets and liabilities at each of the balance sheet dates during the Track Record Period are as follows:

	At 31 December			At
	2006	2007	2008	30 April
	(RMB'000)	(RMB'000)	(RMB'000)	2009
				(RMB'000)
Current assets				
Inventories	83,673	41,983	51,992	41,673
Trade and other receivables	88,828	141,204	136,495	157,761
Amounts due from related parties	16,016	135,197	132,746	133,529
Income tax recoverable	386	—	—	—
Other investment	—	100,000	—	—
Cash and cash equivalents	71,441	102,830	298,148	183,722
Total current assets	260,344	521,214	619,381	516,685
Current liabilities				
Trade and other payables	94,054	238,711	171,997	159,646
Amounts due to related parties	36,092	130,846	144,342	179,926
Current tax payables	255	—	13,655	8,823
Total current liabilities	130,401	369,557	329,994	348,395
Net current assets	129,943	151,657	289,387	168,290

As of 30 April 2009, being the most recent practicable date for our net current assets/liabilities position before the Listing, we had net current assets of RMB168.3 million.

Amounts due from/to related parties

During the Track Record Period, the Controlling Shareholders facilitated the treasury arrangements among various member companies wholly-owned by them. They made advances to the companies which required funding or made drawings from the companies with excess cash, resulting in amounts due from/to related parties. All amounts due from / to related parties were unsecured, interest-free and have no fixed terms of repayment. We have settled the balances from these treasury arrangements before Listing and will make no further such arrangements going forward.

Amounts due from related parties Amounts due from related parties were RMB16.0 million, RMB135.2 million and RMB132.7 million, as of 31 December 2006, 2007 and 2008, respectively,

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representing the trade receivables collected on our behalf by our Controlling Shareholders and retained according to the above treasury arrangements in 2006, 2007 and 2008.

Amounts due to related parties The following table sets forth our amounts due to related parties during the Track Record Period:

	At 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Chen Qiyuan	20,685	93,129	104,317
Actual Reality	15,407	32,567	36,792
Guangzhou Bawang	—	5,150	134
Qiancai Packaging	—	—	601
Chenming Paper	—	—	2,498
Total	36,092	130,846	144,342

During the Track Record Period, we accepted cash advances from our Controlling Shareholder, Mr. Chen, to support our growth. The advances we received throughout the Track Record Period served as short term funds to support our business expansion. The increase in our borrowings from our Controlling Shareholder in 2007 was for Bawang Hong Kong's acquisition of the equity interest in Bawang Guangzhou from Bawang Bermuda.

Guangzhou Bawang became our related party as of 31 December 2007 after completion of the Reorganization. We entered into a three-year production premises and office lease agreement on 22 January 2008 with Guangzhou Bawang pursuant to which we have leased approximately 16,735 square meters in total floor area for a fixed monthly rental payment of RMB184,083, with effect from 4 December 2007. Jones Lang LaSalle Sallmanns Limited has confirmed that the rental payable under this lease agreement is fair and reasonable.

Actual Reality serves as our marketing agent over the Track Record Period by having contracted with Mr. Jackie Chan to provide marketing services to us as well as become the brand ambassador for our 霸王 (Bawang) brand. Payments made by Actual Reality to Mr. Jackie Chan are on our behalf thereby correspondingly creating amounts due to Actual Reality. Actual Reality has fully paid all advertising expenses relating to Mr. Jackie Chan incurred up to 31 January 2009 and will cease paying such expenses incurred subsequent to this date. Since 1 February 2009 all advertising expenses relating to services provided by Mr. Jackie Chan will be paid through our wholly-owned subsidiary, Forever Giants, and a new contract related to such arrangement was signed on 12 June 2009. We believe that our marketing plan and any arrangements with our brand ambassador will not be affected by these changes.

Chenming Paper and Qiancai Packaging, wholly owned by Mr. Chen Qiwen and his spouse, respectively, provided us with paper products and toothpaste containers pursuant to the relevant supply agreements in 2008.

We expect to receive cash settlements of RMB132.9 million in respect of the amounts due from related parties and expect to make settlements amounted to RMB156.4 million in respect of the amounts due to related parties. Our Directors have confirmed that all amounts due from / to the related parties will be settled prior to the Listing.

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CAPITAL EXPENDITURES

Capital expenditures during the Track Record Period

During the Track Record Period, our capital expenditure consisted primarily of expenditures on equipment and construction in progress.

The following table sets forth our historical capital expenditures for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	(RMB'000)	(RMB'000)	(RMB'000)
Property plant and equipment	3,859	11,500	13,979
Construction in progress	—	1,080	1,620
Total	<u>3,859</u>	<u>12,580</u>	<u>15,599</u>

Planned Capital Expenditures

We expect to incur capital expenditures of approximately RMB133.0 million, RMB60.2 million and RMB67.8 million in 2009, 2010 and 2011, respectively. Our principal expected capital expenditures include the installation and fitting costs relating to our planned relocation to a new production facility in Guangzhou. The capital expenditures also include expanding our production capacity by purchasing additional production equipments, diversifying product offering and adding additional production space. We further plan to enhance our research and development capabilities and facilities, develop upstream plantation business and upgrade our information technology systems. Our planned capital expenditures are subject to change based on business and financial conditions. Please see "Business – Production Premises and Production Capacity" in this prospectus for further details.

We expect to finance our capital expenditure through a combination of operating cash flows, our proceeds from the Global Offering and/or bank loans. The cash requirement relating to our expansion plan may vary significantly based on market opportunities. Our ability to satisfy our capital expenditure requirements may be affected by our financial condition, results of operations, and the liquidity of the international and domestic financial markets. We cannot assure you that we will be able to complete our expansion plan on terms acceptable to us or at all, or that we will have sufficient financial resources to complete our expansions.

CONTRACTUAL OBLIGATIONS

Our contractual obligations consist primarily of our capital commitments, payment obligations under the operating lease arrangements and other commitments related to our obligations under certain goods and services contracts.

As at 31 December 2008, we had no capital commitments. Our Directors confirm that we had no capital commitments as of the Latest Practicable Date.

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The following table summarizes our operating lease commitments and other commitments as of 31 December 2008:

	Payments due by period				
	Total	Less than 1 year	1-2 years	2-3 years	After 3 years
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Operating lease commitments ⁽¹⁾	9,362	4,681	3,508	1,173	—
Other commitments ⁽²⁾	100,274	87,939	8,918	3,417	—
Total	109,636	92,620	12,426	4,590	—

Notes:

- (1) We lease our production and office premises and our operating lease commitments represent our minimum lease payment obligations under these non-cancellable operating leases as of 31 December 2008.
- (2) As of 31 December 2008, other commitments represent our fixed or minimum contractual payment obligations under the contracts with our providers of marketing and promotional services, assuming such contracts are not cancelled or otherwise terminated prior to maturity. The majority of our purchases of goods and services are not included as commitments as they are made under purchase orders which are requirements based and accordingly do not specify fixed or minimum quantities to be purchased.

We expect to fund such obligations principally from the cash generated from our operations.

PRE-LISTING ARRANGEMENTS

As some amounts due to our related parties (for details, please refer to the section headed “Financial Information – Amounts due from/to Related Parties”) are denominated in foreign currencies such as Hong Kong dollars and U.S. dollars, we facilitated the following pre-listing arrangements to settle those amounts prior to Listing:

- the granting of a credit facility of up to HK\$180.0 million (the “**Credit Facility**”) by China Merchants Bank Co., Ltd (“**China Merchants Bank**”) to Bawang Trading on 12 June 2009 to settle the abovementioned amounts due to our related parties denominated in foreign currencies; and
- as a condition to the Credit Facility,
 - Bawang Group Limited, an entity indirectly wholly owned by Mr. Chen and Ms. Wan, our Controlling Shareholders, agreed to provide a pledge of assets in favor of China Merchants Bank in the full amount of the Credit Facility. Such pledge will be released, upon the earlier of (i) the Listing or (ii) 31 July 2010; and
 - our Company agreed to provide a guarantee in favor of China Merchants Bank in respect of the above Credit Facility, which will become effective on or around Listing.

INDEBTEDNESS

In addition to the Credit Facility as disclosed in “Pre-listing Arrangements” of this section, our Group obtained a standby short-term bank facility of RMB100.0 million from Bank of China on 24 April 2009, which was reserved for general working capital purpose. As of 30 April 2009, our Group had no indebtedness, mortgages or charges, did not issue any debt securities and did not utilize any bank facilities. Prior to Listing, an amount of up to HK\$180 million will be drawn down from the Credit Facility to pay off the amounts due to our related parties. We confirm that there has been no material change to our indebtedness position subsequent to 30 April 2009, except as set forth above.

OFF-BALANCE SHEET COMMITMENT AND ARRANGEMENTS

Except for the commitments set forth above, we do not have any off-balance sheet commitments or arrangements as of 30 April 2009, being the most recent practicable date such information is available to us.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have significant contingent liabilities. We are currently not involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we are involved in any material legal proceedings in the future, and based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated, we would then record a contingent liability. We confirm that we do not have any material contingent liabilities subsequent to 30 April 2009.

MARKET RISK

Increasing market fluctuations may result in significant cash-flow and profit volatility risk for us. Our income or the values of our holding of financial instruments are affected by changes in the commodity price of raw materials, foreign exchange rate and interest rate. We seek to manage and control market risk through our regular operating and financial activities and conduct such activities within the guidelines set by the Board.

Foreign Currency Risk

Most of our monetary assets and liabilities are denominated in Renminbi and we conduct our business transactions principally in Renminbi. However, we are exposed to foreign currency risk on the bank deposits obtained from capital injection from overseas, prepayments to our suppliers, amounts due from/to related parties and other payables, where payments are made in foreign currencies. The currencies giving rise to this risk are primarily HK dollars and U.S. dollars. We currently do not have a policy to exercise fair value hedges on foreign currency risk as the impact of foreign currency on our total cost of sales are minimal. However, we monitor foreign currency exposure to ensure that the net exposure is kept to an acceptable level and will consider hedging significant transactions should the need arise. We currently do not and have no plans to employ any financial instruments for hedging purpose as the impact of foreign currency on our total profit is not significant.

Interest Rate Risk

We do not account for any fixed rate financial assets or liabilities at fair value through our income statement. A change in interest rate at the reporting dates would not affect our profit or loss.

Liquidity Risk

Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We strive to ensure that we maintain sufficient reserves of cash on demand to meet our liquidity requirement in the short and longer term, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Effects of Inflation

According to National Bureau of Statistics of China, China's overall national inflation rate, as represented by changes in the general consumer price index, was approximately 1.5%, 4.8% and 5.9% for the years ended 31 December 2006, 2007 and 2008, respectively. The inflation rate in China has been subject to an upward trend since 2007. Although there can be no assurance as to the impact in future periods, inflation has not had a significant effect on our business during the Track Record Period.

FINANCIAL INFORMATION

CREDIT RISK

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. We have established a credit policy and evaluate all our customers' credit under the policy. The receivables from our retailers are due within 30 to 90 days from the date of billing. We usually require our distributors to make full payments before delivery and would grant some qualified distributors a credit limit evaluated on a case-by-case basis. Customers that fail to meet our benchmark creditworthiness may transact with us on a prepayment basis. We follow-up with the customers to settle overdue balances and monitor the settlement progress on an ongoing basis. We do not collect collateral in respect of trade and other receivables.

We have a concentration of credit risk of the total trade receivables due from our largest customers and the five largest customers as follows:

	At 31 December		
	2006	2007	2008
Due from			
– largest customer	12.0%	13.0%	13.0%
– five largest customers	35.0%	25.0%	37.0%

The maximum exposure of credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. We do not provide guarantees which would expose us to the credit risk. Over the Track Record Period our five largest customers have changed reflecting the growth of our sales and the expansion of our distribution and retail network. Similar to our other customers, we offer our five largest customers credit terms ranging from 30 to 90 days from the date of billing and they have generally settled all outstanding amounts within the credit terms granted. Other than those trade and other debtors for which impairment losses have been made, there are no other significant credit risks identified.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma statement of our adjusted net tangible assets as of 31 December 2008 is as follows:

	Consolidated net tangible assets attributable to equity shareholders of the Group as of 31 December 2008 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Pro forma adjusted net tangible assets	Pro forma adjusted net tangible assets per Share	Pro forma adjusted net tangible assets per Share (Note 3)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)	(Equivalent to HK\$)
Based on the offer price of HK\$2.38 per share	314,528	1,363,120	1,677,648	0.60	0.68
Based on the offer price of HK\$1.95 per share	314,528	1,107,040	1,421,568	0.51	0.58

Notes:

1. The consolidated net tangible assets attributable to equity shareholders of the Group as of 31 December 2008 are extracted from the consolidated financial information included in the "Accountants' Report" as set out in Appendix I to the prospectus.
2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.95 or HK\$2.38, being the low or high end of the stated offer price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by the Group and takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Over-allotment Option.
3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 2,800,000,000 Shares are in issue immediately following the Global Offering and Capitalization Issue but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.88 to HK\$1.00, the prevailing rate quoted by the PBOC on 31 December 2008.

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DISTRIBUTABLE RESERVES

The aggregate amount of distributable reserves of the companies comprising our Group as of 31 December 2008 was RMB251.2 million.

DIVIDEND POLICY

On 18 July 2007, Bawang Guangzhou declared to its then sole shareholder, Bawang Bermuda, a dividend of RMB114.9 million based on the distributable profits at the end of 2006, and the same was paid in September 2007. On 15 May 2008, our Company declared to our sole shareholder, Fortune Station, a dividend of HK\$163.0 million based on the distributable profits at the end of 2007, and the same was paid in May 2008. Our Company declared to our sole shareholder, Fortune Station, two dividends of HK\$166.7 million and HK\$116.7 million on 7 January 2009 and 23 May 2009, respectively, based on the distributable profits at the end of 2008, and the same were paid in January 2009 and May 2009, respectively. For the avoidance of doubt, the holders of Offer Shares will not be entitled to any of the aforesaid pre-IPO dividends.

We paid our pre-IPO dividends using net cash generated from our operating activities and did not obtain external funding for the distributions. The Directors confirm that payments of the aforementioned pre-IPO dividends have all been settled before Listing.

However, these payments are not indicative of our future dividend policy. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Future dividend payments will also depend upon the availability of dividends received from Bawang Guangzhou, our operating subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRSs. PRC laws also require a wholly-owned foreign enterprise, such as Bawang Guangzhou, to transfer at least 10% of its net profit (after offsetting prior years' losses) to statutory reserve until the reserve balance reaches 50% of the registered capital under the Implementation Rules on the PRC Law on Wholly Foreign-Owned Enterprises. The transfer to its reserve must be made before distribution of dividends to its equity holders. Distributions from our PRC operating subsidiary may also be restricted if it incurs losses or in accordance with any, restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our PRC operating subsidiary may enter into in the future.

Subject to the factors above, we plan to distribute regular dividends after listing on the Stock Exchange of Hong Kong. We intend to distribute as dividends approximately 30% of the net profit from ordinary activities attributable to shareholders of the Company for full financial year subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

RECENT DEVELOPMENTS

The pressure experienced by global capital and credit markets that began in the second half of 2007 continues and substantially increased during the second half of 2008. Concerns over the availability and cost of credit, the US mortgage market, energy costs, inflation, and a declining US real estate market have contributed to increased volatility and diminished expectations for the global economy and the financial markets going forward. These factors, combined with declining business and consumer confidence and increased unemployment in the United States and Europe, have

FINANCIAL INFORMATION

precipitated a recession and lower consumer demand worldwide. The PRC and international equity markets have also been experiencing heightened volatility. These events and the continuing upheavals have resulted in an economic slowdown and a decrease in consumer confidence in the PRC, which has in turn affected consumers' spending preferences and their demand for consumer products in general.

Accordingly, coupled with the above and the increasingly conservative approach adopted by our distributors and retailers in managing their inventory level, which resulted in the reduction of pre-orders of our products gradually after the financial turmoil, our revenue for the four months ended 30 April 2009 decreased by approximately 10.4% as compared to that for the same period of 2008. Our net profit margin for the four months ended 30 April 2009 was approximately 11.0% compared to around 18.7% for the same period of 2008. The decrease in net profit margin was primarily due to the following:

- as general market and business practice, we entered into contracts for certain of our selling and distribution costs, of which the payments are fixed to some extent and do not vary with our revenue, such as advertising contracts and promotion out-sourcing contracts and related expenses, thereby further amplifying the effect of a reduction in revenue onto net profit;
- increased expenses in relation to the launch of our 追風 (Royal Wind) branded HPC products (launched in May 2009) and other HPC products to be launched this year; and
- non-capitalizable listing expenses of RMB4.2 million, which are non-recurring in nature and mainly comprise part of service fees for legal, accounting and other professional advisors and registration and other regulatory fees.

We believe we managed to continue to maintain profitability despite the economic downturn primarily as a result of our leading market position, differentiated products, unique brand positioning, brand recognition, established nationwide distribution and retail network and experienced management team.

Furthermore, we believe our revenue and net profit level will improve in subsequent periods as a result of (i) an expected stabilization and recovery from the economic downturn during the later part of 2009, thereby improving consumer sentiment and sales of our products, (ii) the recent launch of our new 追風 (Royal Wind) branded HPC products, which is expected to provide us with additional sales, (iii) the expected launch of our new branded skin-care products in 2009, and (iv) our further expansion into new markets such as Myanmar, Malaysia, and Thailand.

However, our revenue and profit levels may continue to be adversely impacted as demand for our products is directly related to the level of consumption in the PRC and other regions in which we sell our products. For details, please refer to section headed "Risk Factors – Risks relating to conducting business in the PRC – The current global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and results of operations" in this prospectus.

FINANCIAL INFORMATION

AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board has issued a number of amendments, new standards and interpretations which had not yet become effective or we had not adopted as of the Latest Practicable Date. The following standards and interpretations may be relevant to our operations and the financial information:

		<u>Effective for accounting periods beginning on or after</u>
IAS 1 (revised)	Presentation of Financial Statements	1 January 2009
IFRSs 8	Operating Segments	1 January 2009
Amendment to IAS 27	Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009

We are making an assessment of the impact of these amendments, new standards and new interpretations during the period of their initial application. So far we have concluded that the adoption of them is unlikely to have a significant impact on our results of operations and financial position.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms are not less favorable than terms available from independent third-parties, which are considered fair, reasonable and in the interest of the shareholders of our Company as a whole.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

The Directors confirm that as of the Latest Practicable Date there were no circumstances that would give rise to the disclosure requirements under Rule 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2008, which is the date at which our latest audited financial statements were prepared.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Our Strategies” for a detailed description of our future plans. Our future plans has taken into account of the recent economic slowdown.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$2.165 per share, being the mid point of the indicative Offer Price range) will be approximately HK\$1,404 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 30%, or HK\$421.2 million, of which approximately 21%, or HK\$294.8 million to be used to market and promote our existing and new brands and products such as increasing marketing and promotional activities and engaging of brand ambassador(s) and approximately 9%, or HK\$126.4 million, for potential future acquisition of brands which are in-line with our development strategy;
- approximately 20%, or HK\$280.8 million, of which approximately 11%, or HK\$154.4 million to be used to design, research and develop new products and approximately 9% or HK\$126.4 million to enhance (i) the functionality of our existing products; and (ii) our existing formulae efficiently utilize our raw materials and explore the use of new raw materials;
- approximately 18%, or HK\$252.7 million, of which approximately 10%, or HK\$140.4 million to be used to expand and enhance distribution network in the PRC and approximately 8%, or HK\$112.3 million to develop markets outside the PRC such as Taiwan. This will include expenditures such as general distribution expenses and establishment of dedicated in-store counters in the PRC and overseas;
- approximately 12%, or HK\$168.5 million, of which approximately 9%, or HK\$126.4 million to be used for capital expenditures to establish new production facilities and purchase new production equipment, approximately 2.5%, or HK\$35.1 million, to be used for enhancing our research and development capabilities and facilities and develop an upstream plantation business, and approximately 0.5%, or HK\$7.0 million, to be used for upgrading the existing IT systems;
- approximately 10%, or HK\$140.4 million, to be used for potential future acquisition of HPC related businesses which either supplement our existing business or fit into our long-term strategy. As of the Latest Practicable Date, the Directors confirm that the Company has not entered into any agreement or negotiation nor do we have any definite plans at present in relation to any potential acquisition; and
- approximately 10%, or HK\$140.4 million for working capital and other general corporate purposes.

If the Offer Price is set at the high-end of the indicative Offer Price range, being HK\$2.38 per Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$145 million. We intend to apply the additional net proceeds to the above purposes on a pro-rata basis.

If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$1.95 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK\$146 million. In such case, we intend to reduce the allocation of such net proceeds on brand marketing and promotion, research and development, distribution network, capital expenditures, potential acquisitions and working capital by HK\$43.9 million, HK\$29.3 million, HK\$26.3 million, HK\$17.4 million, HK\$14.5 million and HK\$14.5 million respectively.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$1,623 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end of the indicative Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$167 million. If the Offer Price is set at the low-end of the indicative offer price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will decrease by approximately HK\$167 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

The above intended use of the net proceeds from the Global Offering has been taken into account of the impact of the recent economic slowdown.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

As advised by our PRC legal advisers, subject to the relevant PRC governmental approval, registrations and/or filings, the net proceeds from the Global Offering can be applied in PRC according to the above intended use of the net proceeds under the relevant existing laws and regulations in the PRC by: (i) increasing the registered capital of the Company's PRC subsidiary; (ii) establishing a new PRC subsidiary; (iii) acquiring equity interests in of the other companies in the PRC; and/or (iv) providing shareholder's loan to the Company's subsidiary in the PRC in the amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. The Directors are of the view that there will be no material impact on the Group's liquidity requirements if the net proceeds from the Global Offering cannot be applied in the PRC.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers (in alphabetical order)

The Hongkong and Shanghai Banking Corporation Limited
Morgan Stanley Asia Limited

Co-Managers (in alphabetical order)

BOCOM International Securities Limited
CCB International Capital Limited
First Shanghai Securities Limited
Kingsway Financial Services Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 19 June 2009. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by way of the Hong Kong Public Offering at the Offer Price on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other relevant jurisdiction (each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (iii) any event or series of events in the nature of *force majeure* in or affecting any of the Relevant Jurisdictions including without limiting the generality thereof, any act of government, strikes, lock-out, fire, explosion, earthquake, flooding, civil commotion, act of war, riot, public disorder, act of terrorism (whether or not responsibility has been claimed), act of God, epidemic, outbreak of infectious disease (including without limitation SARS or H5N1 or swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (viii) any change or development or event involving a prospective change in the Company's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by the Company of a supplementary prospectus or offering document pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Global Offering,

and which, in any such case and in the sole opinion of the Joint Bookrunners (for each of itself and on behalf of the other Hong Kong Underwriters),

- (A) is or may or will be, or is likely to be, materially adverse to, or materially and prejudicially affect, the business or financial or trading position or other condition or prospects of the Company or Group as a whole; or
- (B) has or may have or will have or is likely to have an adverse effect on the success or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering and/or make it impracticable for the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or incapable for any part of the Hong Kong Underwriting Agreement to be performed or implemented as envisaged; or
- (C) makes or may make or is likely to make it inadvisable or inexpedient or impracticable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

UNDERWRITING

- (b) there has come to the notice of the Joint Bookrunners or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in the Web Proof Information Pack (as supplemented) including extracts of the draft prospectus posted on the website of the Stock Exchange, this prospectus, Application Forms, Pricing Disclosure Package (as defined in the Hong Kong Underwriting Agreement), the Formal Notice or any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) or International Placing was or has or may become untrue, incorrect or misleading in a material respect; or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus or the Offering Circular (as defined in the Hong Kong Underwriting Agreement), not having been disclosed in this prospectus or the Offering Circular, constitutes an omission therefrom; or
 - (iii) any of the representations and warranties given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
 - (iv) any matter, event, act or omission which gives or is likely to give rise to any liability of a material nature of the Company or the Controlling Shareholders pursuant to the indemnities given by the Company, the Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or
 - (v) any breach of any of the obligations or undertakings of the Company, the Controlling Shareholders or any other indemnifying party under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (vi) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospects of the Group as a whole; or
 - (vii) the Company withdraws this prospectus and the Applications Forms on the Global Offering; or
 - (viii) the commencement by any judicial or regulatory body or organization of any public action against a director of the Company or an announcement by any judicial or regulatory body or organization that it intends to take any such action; or
 - (ix) a petition is presented for the winding-up or liquidation of the Company or any of its subsidiaries, or the Company or any of its subsidiaries makes any composition or arrangement with our or its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries, or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or of any of its subsidiaries, or anything material analogous thereto occurs in respect of the Company or any of its subsidiaries; or
 - (x) a valid demand by any creditor for repayment or payment of any of the Company's material indebtednesses or those of any of its subsidiaries or in respect of which the Company or any of its subsidiaries is liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
 - (xi) any material litigation or claim being threatened or instigated against the Company or any of its subsidiaries or the Controlling Shareholders,

then the Joint Bookrunners, for each of itself and on behalf of the other Hong Kong Underwriters, may, in their sole discretion and upon giving notice to the Company, terminate this Agreement with immediate effect.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalization Issue, the Global Offering (including the exercise of the Over-allotment Option and the Options to be granted under the Share Option Scheme and Shares to be issued under the Pre-IPO Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering (including the Over-allotment Option), he/she/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

- (1) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in the prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (2) in the period of six months commencing on the date on which the period referred to in paragraph (1) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be the Company's controlling shareholder for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Stock Exchange and the Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in the prospectus and ending on the date which is 12 months from the date on which dealings in the securities of our Company commence on the Stock Exchange, he/she/it shall:

- (1) when he/she/it pledges or charges any securities of our Company or interests therein beneficially owned by him/her/it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters that, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-month Period**”), our Company will not without the prior written consent of the Joint Sponsors (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (1) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of our share capital or other securities of our Company or any interest therein (including, but not limited to, any securities convertible into, exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein), or
- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by Company pursuant to the Capitalization Issue, the Global Offering (including pursuant to exercise of the Over-Allotment Option), and the Shares to be granted under the Pre-IPO Share Option Scheme and the options to be granted under the Shares Option Scheme, and our Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein after the First Six-month Period, our Company will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for our Shares.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders, jointly and severally, has undertaken to each of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option or (C) if applicable, stock borrowing arrangement that may be entered into with the Stabilizing Manager or any of its affiliates or any person acting for it, none of the Controlling Shareholders will, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules:

- (1) at any time during the First Six-month Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by it (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) as of the Listing Date or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;

UNDERWRITING

- (2) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by it (including, but not limited to, any securities that are convertible into, exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) as at the Listing Date or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, he/she/it would cease to be the controlling shareholder (as defined in the Listing Rules) of the Company; and
- (3) in the event of a disposal by he/she/it of any share capital or any interest therein during the Second Six-month Period, he/she/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

Commissions and expenses

The Hong Kong Underwriters will receive an aggregate underwriting and selling commission of 3% on the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by the Company in relation to the new Shares to be issued in relation to the Global Offering. We may also in our sole discretion pay the Joint Global Coordinators (for their respective accounts only) an additional incentive fee of up to 0.5% in the aggregate of the sale proceeds of the Offer Shares under the Global Offering.

The aggregate commissions and estimated expenses (exclusive of any discretionary incentive fees), together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$112 million (assuming an Offer Price of HK\$2.165, which is the midpoint of the indicative Offer Price range and that the Over-allotment Option is not exercised) in total and are payable by us.

Hong Kong Underwriters’ interest in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, and, if applicable, the stock borrowing arrangement that may be entered into between the Stabilizing Manager or any of its affiliates or any person acting for it with any of our Controlling Shareholders, none of the Hong Kong Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Joint Sponsors' Independence (in alphabetical order)

The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

International Placing

International Underwriting Agreement

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with, among others, the Controlling Shareholders, the International Underwriters and the Joint Global Coordinators. Under the International Underwriting Agreement, the International Underwriters to be named therein would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares being offered pursuant to the International Placing.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilizing Manager or any of its affiliates or any person acting for it, on behalf of the International Underwriters, at any time, and from time to time from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging of Application Forms under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Stabilizing Manager or any of its affiliates or any person acting for it will have the right to require us to allot and issue up to an aggregate of 105,000,000 additional Shares, representing in aggregate approximately 15% of the Offer Shares initially available under the Global Offering. These Shares will be sold or issued at the Offer Price. An announcement will be made in the event that the Over-allotment Option is exercised.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited are the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 70,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “The Hong Kong Public Offering” below; and
- the International Placing of 630,000,000 Shares subject to adjustment as mentioned below, in the United States with QIBs in reliance on Rule 144A, or another available exemption under the US Securities Act, and outside the United States in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to QIBs in the United States in reliance on Rule 144A, or another available exemption under the US Securities Act, as well as to institutional and professional investors and other investors whom we anticipate to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the paragraph headed “Pricing and Allocation” below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 26 June 2009 and in any event, not later than Sunday, 28 June 2009.

The Offer Price will be not more than HK\$2.38 per Offer Share and is expected to be not less than HK\$1.95 per Offer Share, unless otherwise announced, as further explained below not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters and with the consent of our Company) consider the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range inappropriate, the Joint Global Coordinators (on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong

STRUCTURE OF THE GLOBAL OFFERING

Kong Public Offering on Thursday, 25 June 2009, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. The Offer Price, if agreed upon, will be fixed within such revised offer price range.

In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, and the basis of allocations of the Hong Kong Public Offering Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – IX. Publication of Results; Dispatch/Collection of Share Certificates and Refund Cheques – Publication of results" from Thursday, 2 July 2009.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the granting by the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- (b) the Offer Price being duly determined;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any condition by the Joint Global Coordinators for and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by Sunday, 28 June 2009 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – IX. Publication of Results; Dispatch/Collection of Share Certificates and Refund Cheques". In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Thursday, 2 July 2009, but will only become valid certificates of title at 8:00 a.m. on Friday, 3 July 2009 provided that (i) the Global Offering have become unconditional in all respects and (ii) the right of termination as described in the sub-section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 70,000,000 Shares at the Offer Price, representing 10% of the 700,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size):

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 35,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offering, the total number of Shares available under the Hong Kong Public Offering will be increased to 210,000,000, 280,000,000 and 350,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or

STRUCTURE OF THE GLOBAL OFFERING

untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

The Offer Price will be not more than HK\$2.38 and is expected to be not less than HK\$1.95. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$2.38 per Share plus 1.0% brokerage fee, 0.004% SFC transaction levy, and 0.005% Hong Kong Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$2.38, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy, and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares”.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares Offered

The number of Shares to be initially offered for subscription or sale under the International Placing will be 630,000,000 Shares (subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares under the Global Offering. The International Placing is subject to the Hong Kong Public Offering being unconditional. Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, before taking into account any exercise of the Over-allotment Option, the International Placing Shares will represent approximately 22.5% of our enlarged issued Share Capital immediately after completion of the Global offering.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place our International Placing Shares with QIBs in the United States in reliance on Rule 144A or another exemption from registration under the US Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “bookbuilding” process described in “Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators or their agents on behalf of the International Underwriters at any time, from time to time, from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging of Application Forms under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators or their agents will have the right to require us to allot and issue up to an aggregate of 105,000,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be sold or issued, at the Offer Price. An announcement will be made in the event that the Over-allotment Option is exercised.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilizing Manager or any of its affiliates or any person acting for it may choose to borrow up to 105,000,000 Shares from Fortune Station pursuant to the stock borrowing arrangement (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If such stock borrowing arrangement with Fortune Station is entered into, it will only be effected by the Stabilizing Manager or any of its affiliates or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Fortune Station or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Fortune Station by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on Saturday, 25 July 2009, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilizing Manager has been or will be appointed as stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and hence, there is no obligation on the Stabilizing Manager its affiliates or its agent to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 105,000,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager, its affiliates, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates, or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Saturday, 25 July 2009, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Joint Bookrunners may over-allocate up to and not more than an aggregate of 105,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Stabilizing Manager or its agent on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilizing Manager may borrow up to 105,000,000 Shares from Fortune Station, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Fortune Station by the Joint Global Coordinators in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 3 July 2009, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on Friday, 3 July 2009.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about Friday, 26 June 2009, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting".

HOW TO APPLY FOR HONG KONG OFFER SHARES

There are three ways to make an application for the Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the “**White Form eIPO**” service; or (iii) electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO service or by giving electronic application instructions to HKSCC**.

I. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States person (as defined in Regulation S), or a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Global Coordinators (or their respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO service (www.eipo.com.hk)**, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO service if you are an individual applicant. Corporations or joint applicants may not apply by means of White Form eIPO**.

We and the Joint Global Coordinators, in their capacity as our agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive or their respective associates as defined in the Listing Rules or any other connected persons as defined in the Listing Rules of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Placing Shares under the International Placing, but may not do both.

HOW TO APPLY FOR HONG KONG OFFER SHARES

II. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, the Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them (as "associate" is defined in the Listing Rules) or United States persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

Where to collect Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, 22 June 2009 until 12:00 noon on Thursday, 25 June 2009 from:

**Any participant of
The Stock Exchange of Hong Kong Limited**

or

The Hongkong and Shanghai Banking Corporation Limited
Level 15, HSBC Main Building
1 Queen's Road Central
Hong Kong

AND

Morgan Stanley Asia Limited
8th Floor, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

(in alphabetical order)

or

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

AND

CCB International Capital Limited
Suite 3408, 34/F, Two Pacific Place
88 Queensway, Admiralty
Hong Kong

AND

HOW TO APPLY FOR HONG KONG OFFER SHARES
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First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

AND

Kingsway Financial Services Group Limited
5/F, Hutchison House
10 Harcourt Road, Central
Hong Kong

(in alphabetical order)

or any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Hong Kong Office	1 Queen's Road Central, HK
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central, HK
	Des Voeux Road West Branch	Western Centre, 40-50 Des Voeux Road West, HK
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point, HK
	Hay Wah Building Branch	G/F, Hay Wah Bldg, 71-85B Hennessy Rd, Wan Chai, HK
	Cityplaza Branch	Unit 065, Cityplaza I, Taikoo Shing, HK
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, KLN
	Amoy Plaza Branch	Shops G193 - 200 & 203, G/F, Amoy Plaza Phase II, 77 Ngau Tau Kok Road, KLN
	Mong Kok Branch	673 Nathan Road, Mong Kok, KLN
	238 Nathan Road Branch	Shop No. 1, 1/F & Shop No. 1-3, G/F, 238 Nathan Rd, KLN
	Whampoa Garden Branch	Shop No. G6 & 6A, G/F, Site 4, Whampoa Garden, KLN
New Territories	Citylink Plaza Branch	Shops 38-46, Citylink Plaza, Shatin Station Circuit, Sha Tin, NT
	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun, NT
	Tai Po Branch	54-62 Kwong Fuk Road, Tai Po, NT
	Yuen Long Branch	G/F, HSBC Building Yuen Long, 150-160 Castle Peak Rd, Yuen Long, NT

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, 22 June 2009 until 12:00 noon on Thursday, 25 June 2009 from:

- (1) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) Your stockbrokers, who may have such application forms and this prospectus available.

How to apply by using a **WHITE** or **YELLOW** Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

- (a) Obtain an Application Form as described in the sub-paragraph headed "Where to collect Application Forms" above.
- (b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.
- (c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in the sub-paragraph headed "Where to collect Application Forms" above.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- (a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (b) **If the application is made by an individual CCASS Investor Participant:**
 - (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and
 - (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (c) **If the application is made by a joint individual CCASS Investor Participant:**
 - (i) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong Identity Card Numbers; and
 - (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(d) **If the application is made by a corporate CCASS Investor Participant:**

- (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
- (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorized attorney, we, the Joint Global Coordinators and the Joint Sponsors, as our agent, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We, the Joint Global Coordinators and the Joint Sponsors, as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

III. APPLYING THROUGH WHITE FORM eIPO

General

- (a) If you are an individual and meet the criteria set out above in "Who can Apply for Hong Kong Offer Shares", you may apply through **White Form eIPO** by submitting an application through designated website at www.eipo.com.hk. If you apply through **White Form eIPO**, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our company.
- (c) In addition to the terms and conditions set out in this Prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk), you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our company and our Hong Kong Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (f) You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 22 June 2009 until 11:30 a.m. on Thursday, 25 June 2009 or such later time as described under the sub-paragraph headed "V. When May Applications Be Made – Effect of bad weather on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such

HOW TO APPLY FOR HONG KONG OFFER SHARES

applications will be 12:00 noon on Thursday, 25 June 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the subparagraph headed “V. When May Applications Be Made – Effect of bad weather on the opening of the application lists” below.

- (g) You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 25 June 2009, or such later time as described under the section headed “V. When May Applications Be Made – Effect of bad weather on the opening of the application lists”, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.
- (h) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service (www.eipo.com.hk) is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our company, our Directors, the Joint Sponsors and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service (www.eipo.com.hk) will be submitted to our company or that you will be allotted any Hong Kong Offer Shares.

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-served and electronic application process. As environmental protection is part of Computershare’s Corporate Social Responsibility Program, Computershare Hong Kong Investor Services Limited will contribute HK\$2 for each “BaWang International (Group) Holding Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service (www.eipo.com.hk), you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (www.eipo.com.hk), you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the sub-paragraph headed “How Many Applications May You Make” below.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IV. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a **CCASS Investor Participant**, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Joint Sponsors and our Hong Kong Share Registrar.

Application for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees does the following on behalf of each such person:
 - (i) agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - (ii) undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number of such Offer Shares;
 - (iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (v) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
- (vi) understands that the above declaration will be relied upon by us, our Directors and the Joint Global Coordinators in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes any false declaration;
- (vii) authorizes us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- (viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- (ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, our Directors, the Joint Global Coordinators, the Underwriters, the Joint Sponsors, or any of the parties involved in the Global Offering will have any liability for any such other information or representation;
- (x) agrees that our Company, the Joint Global Coordinators, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (xi) agrees to disclose that person's personal data to our Company, our Hong Kong Share Registrar, receiving banker, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents and any information which they may require about that person for whose benefit the application is made;
- (xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- (xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before Wednesday, 22 July 2009, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Thursday, 25 June 2009, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

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- (xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering made by our Company;
- (xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- (xvi) agrees with our Company, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Law, the Companies Ordinance and the Articles of Association; and
- (xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have taken the following actions. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the actions mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, and the related brokerage fee, the SFC transaction levy, and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to take on your behalf all the actions which it is stated to take on your behalf in the **WHITE** Application Form.

Minimum application amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the number of shares in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, our Hong Kong Share Registrar, receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 25 June 2009 or such later time as described in the paragraph headed “V. When may Applications be Made – Effect of bad weather on the Opening of the Application Lists” below.

V. WHEN MAY APPLICATIONS BE MADE

Applications on **WHITE** or **YELLOW** Application Forms

Completed **WHITE** and **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Thursday, 25 June 2009, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed Application Form, together with a cheque attached and marked payable to “HSBC Nominees (Hong Kong) Limited – BaWang Intl Public Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the section headed “II. Applying By Using an Application Form – Where to collect Application Forms” above at the following times:

Monday, 22 June 2009 – 9:00 a.m. to 4:30 p.m.
Tuesday, 23 June 2009 – 9:00 a.m. to 4:30 p.m.
Wednesday, 24 June 2009 – 9:00 a.m. to 4:30 p.m.
Thursday, 25 June 2009 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 25 June, 2009.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allotment of any of the Hong Kong Offer Shares will be made later than Wednesday, 22 July 2009.

HOW TO APPLY FOR HONG KONG OFFER SHARES

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 22 June 2009 until 11:30 a.m. on Thursday, 25 June 2009 or such later time as described under the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 25 June 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below. You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 22 June 2009 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 23 June 2009 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 24 June 2009 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 25 June 2009 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 22 June 2009 until 12:00 noon on Thursday, 25 June 2009 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Thursday, 25 June 2009, the last application day, or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 25 June 2009. Instead the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offering do not open and close on Thursday, 25 June 2009 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. An announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES

VI. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspect multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares only if you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number, or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at www.eipo.com.hk and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form or **electronic application instructions** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO Service Provider** through **White Form eIPO** service (www.eipo.com.hk); or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirm that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form**

HOW TO APPLY FOR HONG KONG OFFER SHARES

eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk), and that you are duly authorized to sign the Application Form or give **electronic application instructions** as that other person's agent.

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO Service Provider** through **White Form eIPO** service (www.eipo.com.hk); or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO Service Provider** through **White Form eIPO** service (www.eipo.com.hk); or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO Service Provider** through **White Form eIPO** service (www.eipo.com.hk) for more than 35,000,000 Hong Kong Offer Shares, (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering); or
- have indicated an interest for or have been or will be placed any of the International Placing Shares.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company; or
- control more than one-half of the voting power of the company; or
- hold more than one-half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting an **electronic application instruction** you agree that your application or the application made by HKSCC Nominees or to the

HOW TO APPLY FOR HONG KONG OFFER SHARES

designated **White Form eIPO Service Provider** through **White Form eIPO** service (www.eipo.com.hk) on your behalf cannot be revoked before Wednesday, 22 July 2009, unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your application form or give your electronic application instruction to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Thursday, 25 June 2009, except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf or to the designated **White Form eIPO Service Provider** through **White Form eIPO** service (www.eipo.com.hk) has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) Full discretion of our Company, the Joint Global Coordinators or our or their respective agents or nominees to reject or accept:

We, the Joint Global Coordinators or our or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Hong Kong Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

(d) You will not receive any allotment if:

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Placing Shares. By filling in any of the Application Forms or submitting **electronic application instructions**, you agree not to apply for or indicate an interest for Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of

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interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- you apply for more than 35,000,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering);
- our Company believes that by accepting your application, we would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
- the Underwriting Agreements do not become unconditional; or
- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

VIII. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK\$2.38 per Hong Kong Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Hong Kong Offer Shares, you will pay approximately HK\$4,808.03. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for. You must pay the maximum offer price and related brokerage fee, SFC transaction levy, and the Hong Kong Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares in accordance with the terms set out in the Application Forms or this prospectus.

If your application is successful, the brokerage fee will be paid to participants of the Hong Kong Stock Exchange or the Hong Kong Stock Exchange, and the SFC transaction levy and Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy collected by the Hong Kong Stock Exchange on behalf of the SFC).

IX. PUBLICATION OF RESULTS; DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

Publication of results

We expect to announce the Offer Price, the level of indication of interest in the International Placing, the basis of allocation of the Hong Kong Offer Shares on Thursday, 2 July 2009 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.bawang.com.cn).

In addition, we expect to announce the results of applications and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering at the times and dates and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.iporeresults.com.hk on a 24-hour basis from 8:00 a.m. on Thursday, 2 July 2009 to 12:00 midnight on Wednesday, 8 July 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong

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business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 2 July 2009 to Sunday, 5 July 2009; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and subbranches from Thursday, 2 July 2009 to Saturday, 4 July 2009 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for Hong Kong Offer Shares – II. Applying by Using an Application Form – Where to Collect Application Forms”.

Dispatch/collection of share certificates and refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Hong Kong Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy, and Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. No temporary document of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form or **White Form eIPO** service, subject as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

- (a) (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including related brokerage fee at the rate of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% but without interest.

Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

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Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application and share certificates for successful applicants under **WHITE** Application Forms or **White Form eIPO** service are expected to be posted on or before Thursday, 2 July 2009. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply by giving **electronic application instructions** to HKSCC, and your application is wholly or partially successful:

- (a) your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, 2 July 2009 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and
- (b) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 2 July 2009. No interest will be paid thereon.

If you apply using a **WHITE** Application Form:

If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 2 July 2009. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and share certificate(s) within the time period specified for collection, they will be dispatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, 2 July 2009 by ordinary post and at your own risk.

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If you apply using a **YELLOW** Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Thursday, 2 July 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to announce the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, 2 July 2009 in the manner described in the paragraph headed "IX. Publication of Results; Dispatch/ Collection of Share Certificates and Refund Cheques – Publication of results" above. You should check the results made available by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 2 July 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the public offer shares to your stock account, You can also check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application forms that you will collect your refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, 2 July 2009 by ordinary post and at your own risk.

If you apply through **White Form eIPO**:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 2 July 2009, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of refund cheque(s)/share certificate(s).

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the

HOW TO APPLY FOR HONG KONG OFFER SHARES

designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Thursday, 2 July 2009, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in this section headed "III. Applying through White Form eIPO – Additional Information" of this prospectus.

If you apply through HKSCC Nominees:

If you apply by giving **electronic instructions** through HKSCC Nominees, you should check the announcement made by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 2 July 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 2 July 2009. Immediately following the credit of the public offer shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of application monies

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including related brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Hong Kong Offer Share (excluding brokerage fee, SFC transaction levy, and Hong Kong Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Joint Global Coordinators, applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Thursday, 2 July 2009 in accordance with the various arrangements as described above.

HOW TO APPLY FOR HONG KONG OFFER SHARES

X. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Friday, 3 July 2009. The Shares will be traded in board lots of 2,000 Shares. The stock code of the Shares is 1338.

XI. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong:



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

22 June 2009

The Directors
BaWang International (Group) Holding Limited
Morgan Stanley Asia Limited
The Hongkong and Shanghai Banking Corporation Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to BaWang International (Group) Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), in Sections A to F below, including the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the years ended 31 December 2006, 2007 and 2008 (the "relevant period") and the consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008 and balance sheets of the Company as at 31 December 2007 and 2008, together with a summary of significant accounting policies and other explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 22 June 2009 (the "Prospectus") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

The Company was incorporated in the Cayman Islands on 11 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "Company History and Reorganisation" in the Prospectus, which was completed on 31 December 2007, the business operations of manufacturing and sales of the Household Personal-Care Products (the "HPC Products Business"), with relevant assets and liabilities of Guangzhou Bawang Cosmetics Co., Ltd. (廣州霸王化妝品有限公司)⁽ⁱ⁾ (the "Predecessor Entity") were transferred to the Group and the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and the companies now comprising the Group, except for Bawang (Guangzhou) Co., Ltd. (霸王(廣州)有限公司), since the respective dates of their incorporation / establishment as these companies were either newly incorporated or are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation / establishment or have not carried on any business since the respective dates of their incorporation / establishment. We have, however, reviewed all significant transactions undertaken by these companies from their respective dates of establishment to 31 December 2008 for the purpose of this report.

⁽ⁱ⁾ The English translation of the company's name is for reference only. The official name of this company is in Chinese.

The statutory financial statements of Bawang (Guangzhou) Co., Ltd. and the Predecessor Entity for the financial years ended 31 December 2006, 2007 and 2008, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC, were audited during the relevant period by the respective statutory auditors as indicated below:

Name of company	Statutory auditors
	2006, 2007 and 2008
Bawang (Guangzhou) Co., Ltd. (霸王(廣州)有限公司)	Guangzhou Deyong Certified Public Accountants Co., Ltd. 廣州德永會計師 事務所有限公司
Guangzhou Bawang Cosmetics Co., Ltd. (廣州霸王化妝品有限公司)	Guangzhou Deyong Certified Public Accountants Co., Ltd. 廣州德永會計師 事務所有限公司

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group and the Predecessor Entity, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate those financial statements to conform with the accounting policies referred to in Section C, which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the HKSE. IFRSs include International Accounting Standards ("IASs") and Interpretations.

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on the Financial Information based on our audit.

Basis of opinion

As a basis for expressing an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the relevant period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 December 2008.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's consolidated results and cash flows for the relevant period, and of the Group's consolidated state of affairs as at 31 December 2006, 2007 and 2008 and of the Company's state of affairs as at 31 December 2007 and 2008.

A BASIS OF PRESENTATION

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, which are private companies or, if established / incorporated outside Hong Kong have substantially the same characteristics as a Hong Kong private company. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation / establishment	Issued and fully paid up / registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Forever Giants Limited ("Forever Giants")	British Virgin Island ("BVI") 8 August 2008	US\$1	100%	—	Marketing and promotion of the HPC products
Maxford Investments Development Ltd. ("Maxford")	BVI 11 April 2007	1 share of no par value with US\$1 paid up as consideration	100%	—	Investment holding
Lucky Rich Investments Limited ⁽ⁱ⁾ ("Lucky Rich")	BVI 2 January 2008	10,000 shares of no par value with US\$10,000 paid up as consideration	—	100%	Investment holding
Bawang International Investments Limited ⁽ⁱ⁾ ("Bawang Investment")	Hong Kong 24 January 2008	HK\$1	—	100%	Investment holding
BaWang International Group Holding (HK) Limited ("Bawang Hong Kong")	Hong Kong 31 October 2007	HK\$1	—	100%	Investment holding
Hong Kong Bawang International Trading Limited ("Bawang Trading")	Hong Kong 24 January 2008	HK\$1	—	100%	Trading of HPC products
霸王 (廣州) 有限公司 Bawang (Guangzhou) Co., Ltd. ⁽ⁱⁱ⁾ ("Bawang Guangzhou")	the PRC 13 April 2005	US\$12,500,000	—	100%	Manufacturing and trading of HPC products

(i) The Group acquired these two wholly owned subsidiaries from the Controlling Shareholders on 5 November 2008.

(ii) This entity is a wholly foreign owned enterprise established in the PRC.

Pursuant to the Reorganisation which was completed on 31 December 2007, the Predecessor Entity's operations of the HPC Products Business, together with relevant assets and liabilities which are necessary to the HPC Products Business, were transferred to the companies now comprising the Group. The particulars of the Predecessor Entity as at 31 December 2007 are set out below:

Name of Predecessor Entity	Place and date of incorporation / establishment	Fully paid up Capital	Attributable equity interest	Principal activities
廣州霸王化妝品有限公司 Guangzhou Bawang Cosmetics Co., Ltd.	the PRC 23 November 2001	Before 10 August 2007 US\$2,300,000/ After 10 August 2007 US\$7,295,668	100%	Manufacturing and trading of HPC products

The ultimate equity holders, Mr CHEN Qiyuan and Ms WAN Yuhua, (the "Controlling Shareholders") controlled the HPC Products Business of the Predecessor Entity before the Reorganisation and continue to control the companies now comprising the Group after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits of the HPC Products Business to the Controlling Shareholders, and therefore the Financial Information has been prepared as a business combination under common control. The Financial Information has been prepared using the principles of merger accounting as if the HPC Products Business of the Predecessor Entity had been operated by the companies now comprising the Group and the current group structure had been in existence throughout the relevant period.

Accordingly, all the results related to the operations of the HPC Products Business of the Predecessor Entity for the years ended 31 December 2006 and 2007 are consolidated in the Financial Information. The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for the years ended 31 December 2006 and 2007 as set out in Section B include the results of operations of the HPC Products Business of the Predecessor Entity and the companies now comprising the Group. The consolidated income statements, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year ended 31 December 2008 only include the results of the companies now comprising the Group.

The Predecessor Entity's assets and liabilities which are related to the HPC Products Business are consolidated using their existing book values from the Controlling Shareholder's perspective. The consolidated balance sheet of the Group as at 31 December 2006 as set out in Section B below have been prepared to present the state of affairs of the HPC Products Business of the Predecessor Entity and the companies now comprising the Group, and the consolidated balance sheets as at 31 December 2007 and 2008 have been prepared to present the state of affairs of the companies now comprising the Group as at these dates.

In view of Bawang Guangzhou's plans to relocate to new production premises in the near future, to facilitate its business expansion, certain assets and liabilities of the Predecessor Entity historically associated with the HPC Products Business, for which the results in the relevant period have been included in the Financial Information, were not transferred to Bawang Guangzhou and were retained by the Predecessor Entity ("Retained Assets") upon the completion of the Reorganisation on 31 December 2007. The Retained Assets retained by the Predecessor Entity at 31 December 2007 were treated as deemed appropriations to the equity holders of the Group at 31 December 2007.

The Retained Assets retained by the Predecessor Entity on 31 December 2007 consisted of the following:

	<u>Section C</u>	
	Note	RMB'000
Assets		
Property	9(ii)	10,831
Lease prepayments	10(ii)	4,637
Receivables	14	42
Amounts due from related parties	22(c)	5,150
Cash and cash equivalents	15	26,142
		<u>46,802</u>
Liabilities		
Income tax payable	11(a)(i)	39
Other payables	16	3,686
Amounts due to related parties	22(c)	13,136
		<u>16,861</u>
Net assets		<u><u>29,941</u></u>

All material intra-group transactions and balances have been eliminated on consolidation.

B FINANCIAL INFORMATION**1 Consolidated income statements**

	Section C Note	For the year ended 31 December		
		2006 RMB'000	2007 RMB'000	2008 RMB'000
Turnover	3	392,369	921,680	1,411,248
Cost of sales		(166,543)	(422,708)	(509,324)
Gross profit		225,826	498,972	901,924
Other revenue		—	—	484
Other net losses		(207)	(266)	(779)
Selling and distribution costs		(97,823)	(292,728)	(512,285)
Administrative expenses		(9,239)	(23,525)	(47,419)
Profit from operations		118,557	182,453	341,925
Finance income	4(a)	538	1,464	3,117
Finance expenses	4(a)	(1,202)	(1,900)	—
Net finance (costs) / income		(664)	(436)	3,117
Profit before income tax	4	117,893	182,017	345,042
Income tax	5(a)	(1,934)	(672)	(63,268)
Profit for the year attributable to the equity holders of the Company		115,959	181,345	281,774
Dividends declared during the year	18(d)	—	114,903	146,423
Basic and diluted earnings per share (RMB yuan)	8	0.06	0.09	0.13

The accompanying notes form part of this Financial Information.

2 Consolidated balance sheets

	Section C Note	At 31 December		
		2006 RMB'000	2007 RMB'000	2008 RMB'000
Non-current assets				
Property, plant and equipment	9	23,949	22,571	31,510
Lease prepayments	10	4,756	—	—
Total non-current assets		<u>28,705</u>	<u>22,571</u>	<u>31,510</u>
Current assets				
Inventories	13	83,673	41,983	51,992
Trade and other receivables	14	88,828	141,204	136,495
Amounts due from related parties	22(c)	16,016	135,197	132,746
Income tax recoverable	11(a)(iii)	386	—	—
Other investment	12	—	100,000	—
Cash and cash equivalents	15	71,441	102,830	298,148
Total current assets		<u>260,344</u>	<u>521,214</u>	<u>619,381</u>
Current liabilities				
Trade and other payables	16	94,054	238,711	171,997
Amounts due to related parties	22(c)	36,092	130,846	144,342
Current tax payables	11(a)(ii)	255	—	13,655
		<u>130,401</u>	<u>369,557</u>	<u>329,994</u>
Net current assets		<u>129,943</u>	<u>151,657</u>	<u>289,387</u>
Total assets less current liabilities		<u>158,648</u>	<u>174,228</u>	<u>320,897</u>
Non-current liabilities				
Deferred tax liabilities	11(b)	—	—	6,369
Net assets		<u>158,648</u>	<u>174,228</u>	<u>314,528</u>
Capital and reserves				
Paid-in capital	17	118,813	—	—
Reserves	18	39,835	174,228	314,528
Total equity		<u>158,648</u>	<u>174,228</u>	<u>314,528</u>

The accompanying notes form part of this Financial Information.

3 Consolidated statements of changes in equity

	Paid-in capital	PRC statutory reserves	Merger reserve	Translation reserve	Retained earnings	Total equity
	RMB'000 (Note 17)	RMB'000 (Note 18(a))	RMB'000 (Note 17(iii))	RMB'000 (Note 18(b))	RMB'000 (Note 18(c))	RMB'000
At 1 January 2006	48,205	6,268	—	—	13,379	67,852
Profit for the year	—	—	—	—	115,959	115,959
Appropriation to statutory reserve	—	13,768	—	—	(13,768)	—
Capital injection (Note 17 (ii))	70,608	—	—	—	—	70,608
Deemed appropriation on carve-out of assets and liabilities not related to the HPC Products Business	—	—	—	—	(95,771)	(95,771)
At 31 December 2006	<u>118,813</u>	<u>20,036</u>	<u>—</u>	<u>—</u>	<u>19,799</u>	<u>158,648</u>
At 1 January 2007	118,813	20,036	—	—	19,799	158,648
Profit for the year	—	—	—	—	181,345	181,345
Appropriation to statutory reserve	—	18,213	—	—	(18,213)	—
Dividends declared during the year (Note 18(d))	—	—	—	—	(114,903)	(114,903)
Capital injection (Note 17 (ii))	71,907	—	—	—	—	71,907
Deemed appropriation on carve-out of assets and liabilities not related to the HPC Products Business	—	—	—	—	(1,521)	(1,521)
Elimination of registered capital in connection with the Reorganisation (Note 17 (iii))	(99,775)	—	8,468	—	—	(91,307)
Deemed appropriation on Reorganisation (Section A; Note 18(e))	(90,945)	(9,527)	—	—	70,531	(29,941)
At 31 December 2007	<u>—</u>	<u>28,722</u>	<u>8,468</u>	<u>—</u>	<u>137,038</u>	<u>174,228</u>
At 1 January 2008	—	28,722	8,468	—	137,038	174,228
Profit for the year	—	—	—	—	281,774	281,774
Appropriation to statutory reserve	—	21,165	—	—	(21,165)	—
Exchange difference on translation of financial statements of foreign subsidiaries	—	—	—	4,949	—	4,949
Dividends declared during the year (Note 18(d))	—	—	—	—	(146,423)	(146,423)
At 31 December 2008	<u>—</u>	<u>49,887</u>	<u>8,468</u>	<u>4,949</u>	<u>251,224</u>	<u>314,528</u>

The accompanying notes form part of this Financial Information.

4 Consolidated cash flow statements

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before taxation	117,893	182,017	345,042
Adjustments for:			
Depreciation	2,251	3,127	4,800
Amortisation of lease prepayments	119	119	—
Net loss on disposal of machinery and equipment	—	—	1,860
Impairment loss for bad and doubtful debts	800	701	538
Interest income on bank deposits	(538)	(1,464)	(1,957)
Investment income	—	—	(484)
Subtotal	120,525	184,500	349,799
Change in inventories	(45,152)	41,690	(10,009)
Change in trade and other receivables	(59,179)	(53,119)	6,531
Change in trade and other payables	57,152	148,343	(66,714)
Change in amounts due from related parties	(16,016)	(124,331)	2,451
Change in amounts due to related parties	937	16,582	12,637
Cash generated from operating activities	58,267	213,665	294,695
Income tax paid	(3,468)	(503)	(43,244)
Net cash generated from operating activities	54,799	213,162	251,451
Cash flows from investing activities			
Interest received	538	1,464	1,957
Acquisition of property, plant and equipment	(3,859)	(12,578)	(12,151)
Acquisition of other investments	—	(100,000)	(410,000)
Proceeds from sales of other investments	—	—	510,484
Net cash used in investing activities	(3,321)	(111,114)	90,290
Cash flows from financing activities			
Capital contribution from equity shareholders	70,608	71,907	—
Cash distributed to equity owner on Reorganisation (Section A)	—	(26,142)	—
Payment in connection with the assets and liabilities not related to the HPC Products Business being carved-out	(95,771)	(1,521)	—
Dividends paid	—	(114,903)	(146,423)
Net cash used in financing activities	(25,163)	(70,659)	(146,423)
Net increase in cash and cash equivalents	26,315	31,389	195,318
Cash and cash equivalents at 1 January	45,126	71,441	102,830
Cash and cash equivalents at 31 December	71,441	102,830	298,148

Non-cash transactions

On 31 December 2007, non-cash assets and liabilities of the Predecessor Equity with an aggregate amount of RMB3,799,000 which were related to the operation of the HPC Products Business were retained by the Predecessor Entity. They were reflected as deemed appropriation to the equity holders of the Company (Section A).

On 20 December 2007, Bawang Hong Kong, a wholly owned subsidiary of the Company, acquired all the equity interest of Bawang Guangzhou amounting to US\$12,500,000, which was previously held by a company owned by the Controlling Shareholders, at a consideration of the same amount. The acquisition was satisfied by way of setting up of unsecured and interest free advances from the Controlling Shareholders to Bawang Hong Kong.

The accompanying notes form part of this Financial Information.

C NOTES TO THE FINANCIAL INFORMATION**1 Significant accounting policies***(a) Statement of compliance*

The Financial Information set out in this report has been prepared in accordance with IFRSs promulgated by IASB, which include all applicable individual International Financial Reporting Standards, IASs and related Interpretations. Further details of the significant accounting policies adopted are set out in the remaining part of this Section C.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE.

During the relevant period, the IASB issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs in the relevant period, except for any new standards or interpretation that are not yet effective for the relevant period. The revised and new accounting standards and interpretations issued but not yet effective for the relevant period are set out in Note 24.

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of the Financial Information is set out below.

(b) Basis of Combination

The Financial Information has been prepared using the merger accounting as if the HPC Products Business of the Predecessor Entity had been operated by the companies now comprising the Group and the current group structure had been in existence throughout the relevant period, as further explained in Section A.

(c) Basis of measurement

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except per share data. RMB is the functional currency and the reporting currency for the Group's subsidiaries established in the PRC.

The Financial Information has been prepared on the historical cost basis except that available-for-sale financial assets are measured at fair value (Note 1(g)). The methods used to measure fair value are set out in Note 2.

(d) Use of estimates and judgments

The preparation of the Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in Note 23.

(e) *Subsidiaries*

- (i) Subsidiaries are entities controlled by the Group. Control exists when the Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- (ii) Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(f) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised directly in equity.

(g) *Financial instruments*

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, other investment, cash and cash equivalents, trade and other payables and amounts due from / (to) related parties.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition of non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the assets. Regular way of purchasing and selling of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the assets. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other receivables and amounts due from related parties are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts.

Trade and other payables and amounts due to related parties are initially recognised at fair value and thereafter measured at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting policy for finance income and expenses is set out in Note 1(p).

Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at cost which includes attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (Note 1(k)(i)), are recognised directly in equity. Upon derecognition, the cumulative gain or loss in equity is transferred to profit or loss.

*(h) Property, plant and equipment**(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (Note 1(k)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Construction in progress represents property, plant and equipment under construction, and is stated at cost less impairment losses (Note 1(k)(ii)).

Cost comprises direct costs of construction during the construction period. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when all of the activities necessary to prepare the assets for their intended use are substantially complete.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day serving of property, plant and equipment are recognised in profit and loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment less their estimated residual value. Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 20 years after the date of completion.

The estimated useful lives of other property, plant and equipment are as follows:

- | | |
|-------------------------------|-----------|
| ● Machinery | 10 years |
| ● Motor vehicles | 5-8 years |
| ● Office equipment and others | 5 years |

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified above.

Depreciation methods, useful life and residual value are reassessed at the reporting date.

(i) *Lease prepayments*

Lease prepayments represent cost of land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortisation and impairment losses (Note 1(k)(ii)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of the rights.

(j) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of the production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) *Impairment of assets*

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of assets or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) *Employee benefit*

(i) Short term employee benefits

Salaries, wages, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution retirement plans

Obligations for contributions to local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss when they are due, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) Share-based payment transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(m) *Provisions and contingent liabilities*

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) *Turnover*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates and excluding value added tax or other sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of contract of sales. Usually transfer occurs when the product is received at the customer's warehouse.

(o) *Operating lease payment*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

(p) *Finance income and expenses*

Finance income comprises interest income on deposits in banks. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise foreign currency losses.

(q) *Research and development costs*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(r) *Income tax expense*

Income tax expense comprises current tax and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary difference arising from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are

reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) *Related parties*

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or, a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates in a single business segment, the HPC Products Business. Accordingly no business segmental analysis is presented.

Prior to 2008, the Group and the Predecessor Entity operated the HPC Products Business in a single geographical segment, the Mainland China. Hence, no geographical segmental analysis for the years ended 31 December 2006 and 2007 is presented.

Starting from 2008, the Group managed the HPC Products Business on an Asian-wide basis, and participated in three principal economic environments, Mainland China, Hong Kong and Singapore. Mainland China is the major market for all of the Group's business, while Hong Kong and Singapore are newly developed markets, of which the revenue from sales to external customers, segment result and assets constituted 1.2%, 2.3% and 1.5% of the combined revenue, combined segment result and combined assets of all the segments for 31 December 2008 respectively. Hence, no geographical segmental analysis is presented.

2 Determination of fair value for non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset and liability.

3 Turnover

The Group is principally engaged in the manufacturing and sales of the HPC Products Business including hair-care and skin-care products.

Turnover represents the sales value of goods supplied to customers. Turnover excludes value added taxes and other sales taxes and is after deduction of any trade discounts. The amount of revenue recognised in turnover during the relevant period is as follows:

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Hair-care products	362,522	876,501	1,334,142
Other HPC products	29,847	45,179	77,106
	<u>392,369</u>	<u>921,680</u>	<u>1,411,248</u>

4 Profit before income tax

Profit before income tax is arrived at after (charging) / crediting:

(a) *Finance income and expenses*

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Finance income			
Interest income on bank deposits	538	1,464	1,957
Net foreign exchange gain	—	—	1,160
Subtotal	<u>538</u>	<u>1,464</u>	<u>3,117</u>
Finance expenses			
Net foreign exchange losses	<u>(1,202)</u>	<u>(1,900)</u>	<u>—</u>
Net finance (costs) / income	<u>(664)</u>	<u>(436)</u>	<u>3,117</u>

(b) *Staff costs**

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	15,304	77,763	166,404
Contributions to defined contribution retirement plan	278	1,460	4,330
	<u>15,582</u>	<u>79,223</u>	<u>170,734</u>

Staff costs included directors' remuneration (Note 6).

Pursuant to the relevant labour rules and regulations in the PRC, the Predecessor Entity and the PRC subsidiary participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the local authority whereby the Predecessor Entity and the PRC subsidiary are required to make contributions to the Scheme based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

(c) *Other items*

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Depreciation*	2,251	3,127	4,800
Amortisation of lease prepayments	119	119	—
Advertising expenses	64,779	131,906	159,451
Promotion and gift expenses	20,008	85,536	179,551
Auditors' remuneration	13	15	4,294
Cost of inventories*	166,543	422,708	509,324
Impairment loss for bad and doubtful debts (Note 14)	800	701	538

* Cost of inventories includes RMB7,197,000, RMB18,494,000 and RMB36,611,000 for the years ended 31 December 2006, 2007 and 2008 respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses.

5 Income tax expense(a) *Income tax expense in the consolidated income statements represents:*

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Current tax – PRC income tax			
Provision for the year	1,934	672	56,401
Current tax – Hong Kong income tax			
Provision for the year	—	—	498
Deferred tax – PRC income tax			
Origination of temporary differences	—	—	6,369
Income tax expense	<u>1,934</u>	<u>672</u>	<u>63,268</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiary of the Group and the Predecessor Entity are liable to PRC enterprise income tax as follows during the relevant period:
- Bawang Guangzhou is a production-oriented wholly foreign owned enterprise located in the coastal economy open zone of Guangzhou. Pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment & Foreign Enterprises and relevant rules, Bawang Guangzhou is eligible for a preferential income tax rate of 27% and tax concessions whereby its taxable profit for the first two financial years beginning with the first profit-making year after offsetting the allowable tax loss is exempted from income tax and its taxable profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the local authority. No provision for PRC income tax has been made for the years ended 31 December 2006 and 2007, as 2006 was the entity's first profit-making year after offsetting its allowable tax loss.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("CIT law") which started to take effect on 1 January 2008. In December 2007, the Implementation Rules of the Corporate Income Tax Law of the PRC and "Guo Fa [2007] No. 39" were promulgated to specify certain implementation details and grandfathering arrangements of the new tax law. As a result of the CIT law and the grandfathering arrangements, Bawang Guangzhou is subject to a unified tax rate of 25% from

1 January 2008, but it can continue to enjoy the 50% reduction in its applicable rate till the end of the tax holiday.

- The Predecessor Entity is a production-oriented wholly foreign owned enterprise located in the coastal economy open zone of Guangzhou. It is eligible for a preferential income tax rate of 27% and tax concessions whereby its taxable profits for the first two financial years beginning with the first profit-making year after offsetting its allowable tax loss is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the local authority. 2002 was the entity's first profit-making year after offsetting its allowable tax loss, provision for PRC income tax for the years ended 31 December 2006 and 2007 has been made accordingly.
- (iii) Pursuant to the Implementation Rules of the Corporate Income Tax Law, overseas investor to the foreign investment companies ("FIE") shall be liable for withholding income tax at 10% on the dividend derived from the profits of the PRC subsidiaries with effect from 1 January 2008, unless the tax rate is reduced by treaty. Pursuant to the Sino-Hong Kong Double Tax Arrangements, the investor established in Hong Kong is subject to a reduced withholding tax rate of 5% on the dividend received from its PRC subsidiaries. In addition, pursuant to the grandfathering arrangement, dividends received by the overseas investor from its PRC subsidiaries in respect of the undistributed profits derived prior to 31 December 2007 are exempted from the withholding income tax. The Group has made provision of withholding income tax on the distributable profits generated by Bawang Guangzhou since 1 January 2008.
- (iv) No provision has been made for Hong Kong Profits Tax for the years ended 31 December 2006 and 2007, as the Group has not earned any income subject to Hong Kong Profits Tax during the period. Bawang Trading was profit-making in 2008 and has made a provision for Hong Kong Profits Tax for the year ended 31 December 2008 based on the applicable tax rate of 16.5%.

(b) *Reconciliation between income tax expenses and accounting profit at applicable tax rates:*

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit before income tax	117,893	182,017	345,042
Income tax on profit before tax, calculated at the rates applicable to the PRC operations	31,831	49,145	86,261
Effect of withholding income tax (Note 5(a)(iii))	—	—	14,189
Effect of different tax rates of subsidiaries operating in different jurisdictions	—	27	(257)
Effect on deemed taxable income ⁽ⁱ⁾	—	—	3,483
Effect of non-deductible expenses	3,884	7,159	5,297
Effect of unused tax losses not recognised	—	10	2,736
Effect of tax concessions ⁽ⁱⁱ⁾	(33,781)	(55,669)	(48,441)
Income tax expenses	<u>1,934</u>	<u>672</u>	<u>63,268</u>

- (i) Effect on deemed taxable income represents deemed sales income in respect of promotional goods provided to customers at nil consideration, which is calculated in accordance with the CIT law of the PRC, applicable from 1 January 2008.
- (ii) Effect of tax concessions represents the difference between standard income tax rate and preferential income tax rate enjoyed by the Group and the Predecessor Entity as set out in Note 5(a)(ii).

(c) *Deferred taxation*

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities as of 31 December 2006, 2007 and 2008 are presented below:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Deferred tax liabilities arising from undistributed earnings of PRC subsidiary since 1 January 2008 (Note 5 (a)(iii))	—	—	6,369

6 **Directors' remuneration**

Details of directors' remuneration of the Group are as follows:

	For the year ended 31 December 2006				
	Fees	Salaries, allowances and benefits in kind	Contribution to retirement benefit plan	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr CHEN Qiyuan	—	—	—	—	—
Ms WAN Yuhua	—	—	—	—	—
Mr SHEN Xiaodi	—	—	—	—	—
Mr WONG Sin Yung	—	—	—	—	—
Total	—	—	—	—	—
Non-executive director					
Ms GUO Jing	—	—	—	—	—
Independent non-executive directors					
Mr NGAI Wai Fung	—	—	—	—	—
Mr CHEN Kaizhi	—	—	—	—	—
Mr LI Bida	—	—	—	—	—
For the year ended 31 December 2007					
	Fees	Salaries, allowances and benefits in kind	Contribution to retirement benefit plan	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr CHEN Qiyuan	—	—	—	—	—
Ms WAN Yuhua	—	—	—	—	—
Mr SHEN Xiaodi	—	—	—	—	—
Mr WONG Sin Yung	—	—	—	—	—
Total	—	—	—	—	—
Non-executive director					
Ms GUO Jing	—	—	—	—	—
Independent non-executive directors					
Mr NGAI Wai Fung	—	—	—	—	—
Mr CHEN Kaizhi	—	—	—	—	—
Mr LI Bida	—	—	—	—	—

For the year ended 31 December 2008

	For the year ended 31 December 2008				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contribution to retirement benefit plan RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr CHEN Qiyuan	—	—	—	—	—
Ms WAN Yuhua	—	—	—	—	—
Mr SHEN Xiaodi	—	136	—	—	136
Mr WONG Sin Yung	—	1,247	—	—	1,247
Total	—	1,383	—	—	1,383
Non-executive director					
Ms GUO Jing	—	2	—	—	2
Independent non-executive directors					
Mr NGAI Wai Fung	—	16	—	—	16
Mr CHEN Kaizhi	—	—	—	—	—
Mr LI Bida	—	3	—	—	3

During the relevant period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the relevant period.

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	For the year ended 31 December		
	2006	2007	2008
	Number of directors	Number of directors	Number of directors
Nil to HK\$1,000,000	8	8	7
HK\$1,000,000 to 1,499,999	—	—	1
	8	8	8

7 Individuals with highest emoluments

For the years ended 31 December 2006, 2007 and 2008, the aggregate of the emoluments in respect of the 5 individuals with highest emoluments are as follows:

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	299	430	1,751
Contribution to defined contribution retirement plans	84	120	103
	383	550	1,854

An analysis of the emoluments of the 5 individuals with the highest emoluments are with the following bands:

	For the year ended 31 December		
	2006	2007	2008
	Number of individuals	Number of individuals	Number of individuals
Nil to HK\$1,000,000	5	5	4
HK\$1,000,000 to 1,499,999	—	—	1
	<u>5</u>	<u>5</u>	<u>5</u>

8 Earnings per share

The calculation of basic earnings per share during the relevant period is based on the profit attributable to equity holders of the Company for the respective years and on the assumption that 2,100,000,000 ordinary shares were in issue throughout the relevant period comprising 10,000 ordinary shares in issue as at the date of the Prospectus, 2,099,990,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the paragraph headed "Resolutions of our Shareholder passed on 20 May 2009" under the section headed "Statutory and General Information" in Appendix V to the Prospectus.

There were no dilutive potential ordinary shares during the relevant period, and therefore, diluted earnings per share are the same as the basic earnings per share.

9 Property, plant and equipment

	Buildings	Machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2006	15,879	9,658	1,989	814	—	28,340
Additions	—	2,089	849	921	—	3,859
At 31 December 2006	15,879	11,747	2,838	1,735	—	32,199
Additions	—	8,694	371	2,435	1,080	12,580
Deemed disposals upon Reorganisation ⁽ⁱⁱ⁾	(15,879)	—	—	—	—	(15,879)
At 31 December 2007	—	20,441	3,209	4,170	1,080	28,900
Additions	—	4,426	7,999	1,554	1,620	15,599
Disposal	—	(1,778)	(4)	(259)	—	(2,041)
Transfer from CIP	—	2,700	—	—	(2,700)	—
At 31 December 2008	—	25,789	11,204	5,465	—	42,458
Accumulated depreciation:						
At 1 January 2006	(3,573)	(1,627)	(606)	(193)	—	(5,999)
Charge for the year	(715)	(888)	(445)	(203)	—	(2,251)
At 31 December 2006	(4,288)	(2,515)	(1,051)	(396)	—	(8,250)
Charge for the year	(760)	(1,383)	(514)	(470)	—	(3,127)
Deemed disposals upon Reorganisation ⁽ⁱⁱ⁾	5,048	—	—	—	—	5,048
At 31 December 2007	—	(3,898)	(1,565)	(866)	—	(6,329)
Charge for the year	—	(2,848)	(1,196)	(756)	—	(4,800)
Written back on disposal	—	133	—	48	—	181
At 31 December 2008	—	(6,613)	(2,761)	(1,574)	—	(10,948)
Carrying amount:						
At 31 December 2006	11,591	9,232	1,787	1,339	—	23,949
At 31 December 2007	—	16,543	1,644	3,304	1,080	22,571
At 31 December 2008	—	19,176	8,443	3,891	—	31,510

- (i) All property, plant and equipment owned by the Group are located in the PRC.
- (ii) Pursuant to the Reorganisation, buildings with aggregate net book value of RMB10,831,000 were retained by the Predecessor Entity and had been reflected as deemed appropriation to equity holders of the Company for the year ended 31 December 2007 (Section A). These buildings were leased to the Group under operating leases with effect from 4 December 2007 (Note 22(a)(i)).

10 Lease prepayments

	RMB'000
Cost:	
At 1 January and 31 December 2006	5,320
Deemed disposal upon Reorganisation ⁽ⁱⁱ⁾	<u>(5,320)</u>
At 31 December 2007 and 31 December 2008	—
Accumulated amortisation:	
At 1 January 2006	(445)
Charge for the year	<u>(119)</u>
At 31 December 2006	(564)
Charge for the year	(119)
Deemed disposal upon Reorganisation ⁽ⁱⁱⁱ⁾	<u>683</u>
At 31 December 2007 and 31 December 2008	—
Carrying amount:	
At 31 December 2006	<u>4,756</u>
At 31 December 2007	—
At 31 December 2008	<u>—</u>

- (i) Interests in leasehold land represent prepayments of land use rights premium to the PRC authorities by the Predecessor Entity. The Predecessor Entity's leasehold land is located in the PRC, on which its manufacturing plants were built. The Predecessor Entity is granted land use rights for a period of 50 years.
- (ii) Pursuant to the Reorganisation, land use right (area of approximately 9,704 square metres) with an aggregate carrying value of RMB4,637,000 was retained by the Predecessor Entity and had been reflected as deemed appropriations to the equity holders of the Company (Section A). This land use right was leased to the Group under operating leases of 36 months with effect from 4 December 2007 (Note 22(a)(i)).

11 Income tax in the consolidated balance sheets*(a) Current taxation in the consolidated balance sheets represents:*

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Provision for PRC income tax for the year (Note 5(a))	1,934	672	56,401
Provision for Hong Kong Profits Tax for the year (Note 5(a))	—	—	498
PRC income tax paid	(2,065)	(633)	(43,244)
	(131)	39	13,655
Deemed disposals upon reorganisation ⁽ⁱ⁾	—	(39)	—
	(131)	—	13,655
Represented by:			
Current tax payables ⁽ⁱⁱ⁾	255	—	13,655
Tax recoverable ⁽ⁱⁱⁱ⁾	386	—	—

- (i) Pursuant to the Reorganisation, the income tax payable amounting to RMB39,000 was retained by the Predecessor Entity and had been reflected as deemed appropriation to equity holders of the Company for the year ended 31 December 2007 (Section A).
- (ii) Current tax payables as at 31 December 2006 represented the current tax payables of the Predecessor Entity and the balance as at 31 December 2008 represented the current tax payables of the Group.
- (iii) The tax recoverable as at 31 December 2006 represented the prepaid income tax by Bawang Guangzhou.

(b) Deferred tax liability recognised:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Deferred tax liability arising from – undistributed earnings of PRC subsidiary since 1 January 2008 (Note 5(a)(iii))	—	—	6,369

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(r), the Group has not recognised deferred tax assets in respect of accumulative tax losses of the Company, Maxford, Bawang Hong Kong, Forever Giants, Lucky Rich and Bawang Investment totally amounting to RMB149,000 and RMB10,942,000 as at 31 December 2007 and 2008 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation.

12 Other investment

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Available-for-sale financial asset	—	100,000	—

The available-for-sale financial asset was a financial product managed by Bank of China with investments in a portfolio of debt and equity securities. As at 31 December 2007, the financial product was stated at fair value and was neither past due or impaired. The financial product was subsequently disposed with a gain in January 2008.

13 Inventories

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Raw materials	45,913	3,760	4,194
Work in progress	—	3,077	4,500
Finished goods	27,236	26,108	32,164
Packing materials	10,524	9,038	11,134
	<u>83,673</u>	<u>41,983</u>	<u>51,992</u>

An analysis of the amount of inventories recognised as an expense is as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories recognised	<u>166,543</u>	<u>422,708</u>	<u>509,324</u>

14 Trade and other receivables

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Trade receivables	59,835	89,984	101,773
Prepayment for purchase of raw materials	6,093	9,472	1,004
Prepaid advertising fee	21,745	40,307	26,956
Other receivables	1,155	1,441	6,762
	<u>88,828</u>	<u>141,204</u>	<u>136,495</u>

The Group's credit policy is set out in Note 20(b). All of the trade and other receivables are expected to be recovered within one year.

An ageing analysis of trade receivables by due date is as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Current	32,941	75,841	72,450
Less than 3 months past due	22,839	7,190	27,096
More than 3 months but less than 6 months past due	4,064	2,188	2,227
More than 6 months but less than 12 months past due	1,452	4,422	101
More than 12 months but less than 24 months past due	1,392	1,844	—
	62,688	91,485	101,874
Less: impairment loss for doubtful debts	(2,853)	(1,501)	(101)
	<u>59,835</u>	<u>89,984</u>	<u>101,773</u>

An ageing analysis of trade receivables by billing date is as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Less than 3 months	43,747	81,589	83,740
More than 3 months but less than 6 months	14,280	3,188	15,925
More than 6 months but less than 12 months	2,065	4,783	2,209
More than 12 months but less than 27 months	2,596	1,925	—
	62,688	91,485	101,874
Less: impairment loss for doubtful debts	(2,853)	(1,501)	(101)
	<u>59,835</u>	<u>89,984</u>	<u>101,773</u>

The movement in the allowance for impairment in respect of trade receivables during the relevant period are as follows:

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Balance at 1 January	2,053	2,853	1,501
Impairment loss recognised	800	701	538
Written off	—	(2,053)	(1,938)
Balance at 31 December	<u>2,853</u>	<u>1,501</u>	<u>101</u>

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	31,183	75,533	72,450
Less than 3 months past due	21,790	7,190	27,096
More than 3 months but less than 6 months past due	4,064	2,092	2,227
More than 6 months but less than 12 months past due	1,452	4,063	—
More than 12 months but less than 24 months past due	1,346	1,106	—
	28,652	14,451	29,323
	<u>59,835</u>	<u>89,984</u>	<u>101,773</u>

Based on past experience, except for the above amounts that the customers were unable to repay the outstanding balance, the Group believes that no impairment allowance is necessary in respect of remaining trade and other receivables. All these customers have a good track record with the Group.

Pursuant to the Reorganisation, other receivables with an aggregate carrying value of RMB42,000 were retained by the Predecessor Entity and had been reflected as deemed appropriation to equity holders of the Company for the year ended 31 December 2007 (Section A).

15 Cash and cash equivalents

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	71,441	102,830	298,148

Pursuant to the Reorganisation, cash and cash equivalents with an aggregate carrying amount totalling RMB26,142,000 were retained by the Predecessor Entity and had been reflected as deemed appropriation to equity holders of the Company for the year ended 31 December 2007 (Section A).

As at 31 December 2008, cash and cash equivalents in the amount of RMB147,190,000 (31 December 2006: RMB58,326,000; 31 December 2007: RMB98,967,000) are dominated in RMB and are deposited with Bank of China and China Merchants Bank in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

16 Trade and other payables

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Trade payables	38,831	114,957	60,754
Receipts in advance	38,854	54,939	41,669
Payable to advertising agents	1,520	1,052	5,578
Promotion fee payable	4,553	29,131	20,663
Accrued payroll	2,162	11,397	9,848
Other payables and accruals	8,134	27,235	33,485
	94,054	238,711	171,997

The credit period granted by the suppliers ranges from 30 days to 90 days.

An ageing analysis of trade payables by due date is as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Due within one month or on demand	6,752	82,229	39,483
Due after one month but within 3 months	32,079	32,728	21,271
	38,831	114,957	60,754

An ageing analysis of trade payables by billing date is as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Less than 3 months	33,702	109,373	54,592
More than 3 months but less than 6 months	2,536	5,023	4,307
More than 6 months but less than 12 months	1,505	93	1,069
More than 12 months but less than 24 months	1,088	468	786
	<u>38,831</u>	<u>114,957</u>	<u>60,754</u>

Pursuant to the Reorganisation, other payables with an aggregate carrying value of RMB3,686,000 were retained by the Predecessor Entity and had been reflected as deemed appropriation to equity holders of the Company for the year ended 31 December 2007 (Section A).

17 Paid-in capital

- (i) For the purpose of this report, the paid-in capital in the consolidated balance sheet as at the respective year end was presented as follows:
- The paid-in capital as at 31 December 2006 represented an aggregate amount of paid-in capital of the Predecessor Entity & Bawang Guangzhou.
 - The Company was incorporated in Cayman Islands on 11 December 2007 and became the holding company of the companies now comprising the Group. The paid-in capital as at 31 December 2007 represented the nominal value of the share capital of the Company amounting to US\$1 (equivalent to RMB7 yuan), which consisted of 1 ordinary share. Pursuant to a written resolution of the shareholder of the Company passed on 10 December 2008, the Company repurchased the existing ordinary share in issue (the "Repurchase") and increased its authorised share capital by HK\$1,000 (equivalent to approximately RMB882 yuan) by the creation of 10,000 shares of HK\$0.10 par value each, which were issued to its shareholder, Fortune Station Limited (the "Issue"). Both the Repurchase and the Issue have not been settled as of 31 December 2008.
- (ii) On 12 June 2006 and 16 October 2006, the equity owner of Bawang Guangzhou injected capital in cash amounting to US\$5,924,800 and US\$2,966,000 respectively (equivalent to RMB70,608,000 in aggregate).
- On 10 August 2007 and 23 October 2007, the equity owner of the Predecessor Entity injected capital in cash amounting to US\$4,996,000 and US\$4,550,000 respectively (equivalent to RMB71,907,000 in aggregate).
- (iii) On 20 December 2007, Bawang Hong Kong, a wholly owned subsidiary of the Company, acquired all the equity interest of Bawang Guangzhou amounting to US\$12,500,000, which was previously held by a company owned by the Controlling Shareholders, at a consideration of the same amount. Accordingly, the paid-in capital of Bawang Guangzhou was eliminated and a merger reserve arose due to foreign exchange differences.

18 Reserves

(a) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Predecessor Entity and the Company's subsidiary established in the PRC. Transfers to the reserves were approved by the respective board of directors.

The Predecessor Entity and Bawang Guangzhou, which are wholly foreign owned enterprises established in the PRC, are required to transfer at least 10% of its net profit (after offsetting prior year losses), as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of these entities. The transfer to this reserve must be made before distribution of dividends to equity holders.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into share capital by issuing new shares to equity owners proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital.

(b) *Translation reserve*

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 1(f).

(c) *Distributable reserves*

The Company was incorporated on 11 December 2007 and has not carried out any business since the date of its incorporation till 31 December 2007. Accordingly, there was no reserve available for distribution to equity holders as of 31 December 2007. The accumulative losses of the Company as at 31 December 2008 is RMB7,597,000.

On the basis set out in Section A above, the aggregate amount of distributable reserves of the companies now comprising the Group and the Predecessor Entity at 31 December 2006 was RMB19,799,000.

The Group's capital management policy is set out in Note 20(d).

(d) *Dividends*

Pursuant to the resolutions passed at the board of directors' meeting of Bawang Guangzhou and the Company on 18 July 2007 and 15 May 2008, dividends at an aggregate amount of RMB114,903,000 and HK\$163,000,000 (equivalent to RMB146,423,000) were declared by Bawang Guangzhou and the Company to the equity holders respectively. The amounts declared were fully paid in September 2007 and May 2008. The directors consider that the dividend payments during the relevant period are not indicative of the future dividend policy of the Company.

(e) *Deemed distribution to equity holders upon the Reorganisation*

Pursuant to the Reorganisation, assets and liabilities with an aggregate net book value of RMB29,941,000 were retained by the Predecessor Entity and were deemed to be distributed to the equity holders of the Company on 31 December 2007. Details of these assets and liabilities are set out in Section A.

19 Equity settled share-based transactions

The Board of Directors approved a Pre-IPO Share Option Plan on 10 December 2008. However, the number of shares and the exercise price of the share options to be granted to the employees have not been determined and the arrangement has not been agreed with the employees as of 31 December 2008. Therefore, the cost of share options has not been recognised in the income statement for the year ended 31 December 2008.

The principal terms of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in the section headed "Statutory and General Information" in Appendix V to the Prospectus.

20 Financial risk management

The Group has exposure to the following risks in the normal course of business:

- market risk
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Market risk

Increasing market fluctuations may result in significant cash-flow and profit volatility risk for the Group. The Group's income or the values of its holding of financial instruments are affected by changes in commodity price of raw materials, foreign exchange rate and interest rate. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while minimising the costs on managing the risk.

The Group seeks to manage and control the market risks primarily through its regular operating and financial activities. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Commodity price risk

Raw materials and packing materials are the major materials of the Group's products which accounted for more than 89% of total cost of sales. Fluctuation on commodity price of raw materials and packing materials will have significant impact on the Group's earnings, cash flows as well as the value of inventories. The Group minimises the cost of materials by purchase in large quantities and partial self-production of plastic bottles. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

The Group will continue the above practice after it is being listed on the HKSE.

(ii) Foreign currency risk

Most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi.

Included in assets and liabilities are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	At 31 December		
	2006	2007	2008
Cash and cash equivalents			
HK\$ ('000)	8,969	7,201	146,729
US\$ ('000)	33	2,989	3,000
SG\$ ('000)	—	—	180
Prepayment			
US\$ ('000)	417	1,750	1,559
Trade and other receivables			
HK\$ ('000)	—	—	7,477
Other payables			
HK\$ ('000)	—	—	(2,156)
US\$ ('000)	—	—	(167)
Amounts due to related parties			
HK\$ ('000)	—	—	(9,534)
US\$ ('000)	(1,550)	(16,350)	(18,471)
Current tax payables			
HK\$ ('000)	—	—	(566)

The Group is exposed to foreign currency risk on the bank deposits, prepayment, trade and other receivables, amounts due from related parties, other payables, and the amounts due to related parties. The currencies giving rise to this risk are primarily Hong Kong Dollars ("HKD") and United States Dollars ("USD"). The Group currently does not have a policy to exercise fair value hedges on foreign currency risk as the impact of foreign currency on the Group's total cost of sales are minimal. However, management monitors foreign currency exposure to ensure that the net exposure is kept to an acceptable level and will consider hedging significant transactions should the need arise.

Sensitivity analysis

The foreign currency sensitivity is calculated based on the major net foreign currency exposure of the Group as at the balance sheet dates, assuming 5% shift of RMB against HKD and USD are as follows:

Results from a 5% strengthening of the RMB against HKD and USD on the profit after tax and retained profits at 31 December 2006, 2007 and 2008 are shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>Increase / (decrease) on profit after tax and retained profits</u>
31 December 2006	
<i>Effect in RMB'000</i>	
HK\$	(451)
US\$	755
31 December 2007	
<i>Effect in RMB'000</i>	
HK\$	(337)
US\$	4,241
31 December 2008	
<i>Effect in RMB'000</i>	
HK\$	(6,260)
US\$	4,811
SG\$	(43)

A 5% weakening of the RMB against the above currencies at 31 December 2006, 2007 and 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Interest rate risk

The Group does not account for any fixed rate financial assets or liabilities at fair value through income statement in the relevant period. Therefore a change in interest rate at the reporting dates would not affect the profit or loss.

Effective interest rates

In respect of income-earning financial assets, the following tables indicate their average effective interest rates at the respective balance sheet dates.

	At 31 December		
	2006	2007	2008
Variable rate instruments Cash and cash equivalents	0.76%	0.81%	0.36%

(b) *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has established a credit policy under which credit evaluations are performed on all customers requiring credit. These receivables are due within 30-90 days from the date of billing. Credit limit is established for each customer which represents the maximum open amount or credit term without requiring approval from the Board of Directors, these limits are reviewed annually. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis. The Group chases the customers to settle the due balances and monitors the settlement progress on an ongoing basis. The Group does not collect collateral in respect of trade and other receivables.

The Group has a concentration of credit risk of the total trade receivables due from the Group's largest customer and the five largest customers as follows:

	At 31 December		
	2006	2007	2008
Due from			
– largest customer	12%	13%	13%
– five largest customers	35%	25%	37%

The maximum exposure of credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. The Group does not provide guarantees which would expose the Group to the credit risk.

Other than those trade and other receivables that impairment losses have been made for (Note 14), there are no other significant credit risks identified.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it maintains sufficient reserves of cash on demand to meet its liquidity requirement in the short and longer term, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(d) *Capital management*

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group defines the capital of the Group as the total shareholders' equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) *Fair value*

The carrying amounts of all financial assets and liabilities approximate their respective fair values as at 31 December 2006, 2007 and 2008 due to the short maturities of these instruments.

21 Operating lease commitments

At the balance sheet date, the Group's total future minimum leases payments under non-cancellable operating leases were payable as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Leases expiring:-			
Within 1 year	58	2,209	4,681
Between 1 and 2 years	53	2,209	3,508
Between 2 and 3 years	53	2,025	1,173
Total	<u>164</u>	<u>6,443</u>	<u>9,362</u>

The significant leasing arrangements under operating leases include the lease of the production premises and office from the Predecessor Entity as set out in Note 22(a)(i).

22 Material related party transactions

During the relevant period, the directors are of the view that related parties of the Group include the following individuals / companies:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Mr CHEN Qiyuan	Controlling Shareholder
Ms WAN Yuhua	Controlling Shareholder
Actual Reality Inc.	Holding company of the Predecessor Entity, 100% owned by the Controlling Shareholders
Guangzhou Qiancai Packaging Materials Co., Ltd.	Under the control of Controlling Shareholders' close family member
Guangzhou Chenming Paper Products Company Limited	Under the control of Controlling Shareholders' close family member
The Predecessor Entity ⁽ⁱ⁾	Effectively 100% owned by the Controlling Shareholders

- (i) Following the consummation of the transfer of operations of the HPC Products Business from the Predecessor Entity to Bawang Guangzhou on 31 December 2007, the Predecessor Entity has become a related party of the Group from that date.

(a) *Recurring transactions*

- (i) Production premises and office lease agreements

Bawang Guangzhou and the Predecessor Entity entered into a production premise and office lease agreement on 22 January 2008, pursuant to which Bawang Guangzhou leased from the Predecessor Entity the production premise and office building with a total floor area of 16,735 square metres. The term of the lease under the agreement is 3 years with a fixed monthly rental payable of RMB184,083, commencing from 4 December 2007. Jones Lang LaSalle Sallmanns Limited, who have among their Staff Fellow of the Hong Kong Institute of Surveyors with recent experience in the location and category of rental payable being valued, has confirmed that the rental payable under this lease agreement reflects a fair and reasonable market rent for such type of property in the PRC.

- (ii) Purchase of raw materials from related parties

	<u>For the year ended 31 December</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Guangzhou Qiancai Packaging Materials Co., Ltd.	—	1,737	4,268
Guangzhou Chenming Paper Products Company Limited	—	—	6,902
	<u>—</u>	<u>—</u>	<u>6,902</u>

The directors have confirmed that the basis of consideration for the above purchase of raw materials from related parties is the prevailing market price.

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business. The directors have confirmed that the above transactions will continue in the future after the listing of the Company's shares on the HKSE.

(b) **Non-recurring transactions**

(i) Advertising fee paid by a related party on behalf of the Group

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Actual Reality Inc.	7,485	18,416	4,225

(ii) Trade receivables collected by the Controlling Shareholders on Bawang Guangzhou's behalf/ (repayment of Trade receivables collected by the Controlling Shareholders)

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
CHEN Qiyuan	16,016	119,181	(2,505)

(iii) Net short-term advances from / (repayment of advances to) Controlling Shareholders and the Predecessor Entity

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
CHEN Qiyuan	(6,337)	(19,017)	11,188
Predecessor Entity	—	5,150	(5,016)

(iv) Consideration payable to Controlling Shareholders in respect of acquiring the equity interests of Bawang Guangzhou

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
CHEN Qiyuan	—	91,461	—

(v) Sale of non-HPC Products Business related equipment to the Predecessor Entity

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Predecessor Entity	—	—	691

(vi) Short-term advance to Predecessor Entity

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Predecessor Entity	—	—	20,213

(vii) Repayment of advance from Predecessor Entity

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Predecessor Entity	—	—	20,850

During the relevant period, the Controlling Shareholders facilitated the treasury arrangements among the companies comprising the Group and the Predecessor Entity. The Controlling Shareholders made advances to the companies which required funding or made drawings from the companies with excess cash. The transactions between the Controlling Shareholders and the companies comprising the Group and the Predecessor Entity as listed in Note 22(b)(ii), Note 22(b)(iii), Note 22(b)(iv), Note 22(b)(vi) and Note 22(b)(vii) represent the transactions incurred according to the treasury arrangement.

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business.

The directors have confirmed that the transactions as listed in Note 22(b)(i), 22(b)(ii) and 22(b)(iii) will not be continued in the future after the listing of the Company's share on the HKSE.

The transactions listed in Note 22(b)(iv), 22(b)(v), 22(b)(vi) and 22(b)(vii) are one-off transactions and the directors have confirmed that these transactions will not be continued in the future after the listing of the Company's shares on the HKSE.

(c) **Balances with related parties**

As at the respective balance sheet dates, the Group had the following balances with related parties:

(i) Trade and other receivables

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
<i>Non-trade related</i>			
CHEN Qiyuan	16,016	135,197	132,692
Predecessor Entity	—	—	54
	<u>16,016</u>	<u>135,197</u>	<u>132,746</u>

(ii) Trade and other payables

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
<i>Non-trade related</i>			
CHEN Qiyuan	20,685	93,129	104,317
Actual Reality Inc.	15,407	32,567	36,792
Predecessor Entity	—	5,150	134
<i>Trade related</i>			
Guangzhou Qiancai Packaging Materials Co., Ltd.	—	—	601
Guangzhou Chenming Paper Products Company Limited	—	—	2,498
Total	<u>36,092</u>	<u>130,846</u>	<u>144,342</u>

The above non-trade related balances are unsecured, interest free and have no fixed terms of repayment. The directors confirm that these balances will be collected / settled as of 26 June 2009.

Pursuant to the Reorganisation, amounts due to related parties with an aggregate carrying amount totalling RMB13,136,000 and amounts due from related parties amounting to RMB5,150,000 were retained by the Predecessor Entity and had been reflected as deemed appropriation to equity holders of the Company for the year ended 31 December 2007 (Section A).

(d) Key management personnel compensation

Remuneration for key management personnel, including the amounts paid to the Group's directors as disclosed in Note 6 and the individuals with highest emoluments as disclosed in Note 7, is as follows:

	For the year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	470	787	2,408
Contributions to defined contribution retirement plan	132	220	287
Total	<u>602</u>	<u>1,007</u>	<u>2,695</u>

Total remuneration is included in "staff costs" (Note 4(b)).

23 Significant accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The following principal accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future years is adjusted if there are significant changes from previous estimation.

(b) Impairments

(i) In considering the impairment losses that may be required for certain property, plant and equipment and lease prepayments, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

(ii) Impairment loss for bad and doubtful debts are assessed and provided based on the directors' regular review of aging analysis and evaluation of collectibility. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the net profit in future years.

24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the relevant period

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the relevant period and which have not been adopted in this report.

Of these developments, the following relate to matters that may be relevant to the Group's operations and the Financial Information:

		<u>Effective for accounting periods beginning on or after</u>
IAS 1 (revised)	<i>Presentation of Financial Statements</i>	1 January 2009
IFRS 8	<i>Operating Segments</i>	1 January 2009
Amendment to IAS 27	<i>Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly-controlled entity or associate</i>	1 January 2009

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

1 Dividends declared after 31 December 2008

On 7 January and 23 May 2009, the Company declared dividends of HK\$166,666,667 (equivalent to RMB147,000,000) and HK\$116,650,000 (equivalent to RMB102,679,996) to its shareholder. The amounts declared were fully paid in January and May 2009 respectively.

2 Pre-listing arrangements

As certain amounts due to the related parties of the Group (please refer to Note 22(c) for details) are denominated in foreign currencies such as Hong Kong dollars and U.S. dollars, the Group facilitated the following pre-listing arrangements to settle those amounts prior to the listing of the Company's shares on the HKSE:

- an agreement entered into between Bawang Trading, a subsidiary of the Company, and China Merchants Bank Co., Ltd. ("China Merchants Bank") on 12 June 2009, pursuant to which China Merchants Bank agreed to provide Bawang Trading with a credit facility of up to HK\$180 million (the "Credit Facility") to settle the abovementioned amounts due to the related parties denominated in foreign currencies; and
- as a condition of the Credit Facility,
 - Bawang Group Limited, an entity wholly owned by the Controlling Shareholders, provided a pledge of assets in favour of China Merchants Bank in the full amount of the Credit Facility on 12 June 2009. Such pledge will be released, upon the earlier of (i) the listing of the Company's shares on the HKSE or (ii) 31 July 2010; and
 - the Company provided a guarantee on 12 June 2009 in favour of China Merchants Bank in respect of the above Credit Facility, which will become effective upon the listing of the Company's shares on the HKSE.

3 Capitalisation issue

Pursuant to the resolutions of the Company's shareholder passed on 20 May 2009, conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors be and are hereby authorised to allot and issue a total of 2,099,990,000 shares, by way of capitalisation of the sum of HK\$209,999,000 standing to the credit of the share premium account of the Company (the "Capitalisation Issue"), credited as fully paid at par to the Shareholders as appearing on the register of members of the Company on the date of the Prospectus.

E BALANCE SHEET OF THE COMPANY

The Company was incorporated on 11 December 2007 with an authorised share capital of US\$50,000, and issued a total of 1 share at nominal value of US\$1 to Fortune Station Limited, its immediate and ultimate holding company as part of the Reorganisation as detailed in the section headed "Statutory and General Information" in Appendix V to the Prospectus. On 10 December 2008, the Company repurchased its existing issued share and increased its authorised share capital by HK\$1,000 by issuing 10,000 shares of HK\$0.10 par value each to Fortune Station Limited as detailed in Note 17(i) of Section C. The Company has not carried out any business other than investment holding since the date of its incorporation.

	<u>At 31 December</u> <u>2007</u> <u>RMB'000</u>	<u>At 31 December</u> <u>2008</u> <u>RMB'000</u>
Assets		
Investment in subsidiary	—	—
Prepayment for IPO listing costs	—	1,582
Amounts due from related parties	—	194
Total asset	<u>—</u>	<u>1,776</u>
Liabilities		
Amounts due to related parties (a)	—	9,344
Other payables	80	25
Total liabilities	<u>80</u>	<u>9,369</u>
Net assets	<u>(80)</u>	<u>(7,593)</u>
Capital and reserves		
Paid-in capital	—	—
Translation reserve	—	4
Accumulated losses	(80)	(7,597)
Total equity	<u>(80)</u>	<u>(7,593)</u>

Note:

(a) Amounts due to related parties represent the expenses paid by Controlling Shareholders on the Company's behalf.

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2008.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the financial position of the Group by the completion of the Global Offering as if the Global Offering had been completed on 31 December 2008.

The unaudited pro forma financial information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Global Offering.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the consolidated net assets of the Group as of 31 December 2008, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets attributable to equity shareholder of the Group as of 31 December 2008 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share (Note 3)
	RMB'000	RMB'000	RMB'000	RMB	(Equivalent to HK\$)
Based on the offer price of HK\$2.38 per share	314,528	1,363,120	1,677,648	0.60	0.68
Based on the offer price of HK\$1.95 per share	314,528	1,107,040	1,421,568	0.51	0.58

Notes:

- The consolidated net tangible assets attributable to equity shareholder of the Group as of 31 December 2008 are extracted from the audited consolidated financial information included in the "Accountants' Report" as set out in Appendix I to the prospectus.
- The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.95 or HK\$2.38, being the low or high end of the stated offer price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by the Group and takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Over-allotment Option.
- The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 2,800,000,000 Shares are in issue following the Global Offering and Capitalization Issue but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.88 to HK\$1.00, the prevailing rate quoted by the PBOC on 31 December 2008.

(B) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

The Board of Directors
BaWang International (Group) Holding Limited

22 June 2009

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of BaWang International (Group) Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out in part (A) of Appendix II to the prospectus dated 22 June 2009 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Global Offering might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in part (A) of Appendix II to the prospectus.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information. Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29 (1) of the Listing Rules. The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:-

- the financial position of the Group as at 31 December 2008 for any future date; or
- the earnings per share of the Group for the year ended 31 December 2008 or any future periods.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under the paragraph headed "Use of Proceeds" set out in the section headed "Future Plans and Use of Proceeds" set out in the Prospectus.

OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as of 30 April 2009 of the property interest of the Group.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

22 June 2009

The Directors
BaWang International (Group) Holding Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the property in which BaWang International (Group) Holding Limited ("the Company") and Bawang (Guangzhou) Company Limited ("Bawang Guangzhou", a wholly owned subsidiary of the Company, hereinafter together referred to as the "Group") have interest in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as of 30 April 2009 (the "date of valuation").

Our valuation of the property interest represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have attributed no commercial value to the property interest which is leased by the Group in the PRC, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Real Estate Title Certificates relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – King & Wood Law Offices, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

The continued turmoil and instability in the financial markets is continuing to cause volatility and uncertainty in the world's capital markets and real estate markets. There are low levels of liquidity in the real estate market and transaction levels are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. This, combined with a general weakening of sentiment towards real estate, has resulted in a continued reappraised of local property prices. Many transactions that are occurring involve vendors who are more compelled to sell, or purchasers who will only buy at discounted prices. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property.

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest rented and occupied by the Group in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as of 30 April 2009</u> RMB
A 6-storey office building and a 7-storey industrial building No.8 Hua'nan North Road Xinshi Town Baiyun District Guangzhou City Guangdong Province The PRC	The property comprises a 6-storey office building and a 7-storey industrial building both completed in 1999. The property has a total gross floor area of approximately 16,734.81 sq.m. The property is leased to Bawang Guangzhou from Guangzhou Bawang Cosmetic Company Limited for a term of 3 years expiring on 3 December 2010, at a monthly rent of RMB184,082.91.	The property is currently occupied by Bawang Guangzhou for office and production purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Bawang Guangzhou from Guangzhou Bawang Cosmetic Company Limited ("Guangzhou Bawang"), a connected party, for a term of 3 years expiring on 3 December 2010 at a monthly rent of RMB184,082.91.
2. Pursuant to a Confirmation Letter issued by Bawang Guangzhou, the rent is exclusive of management fees, water and electricity charges and other fees.
3. Pursuant to a Supplemental Agreement, Bawang Guangzhou can terminate the Tenancy Agreement mentioned in note 1 prior to the expiry of the term by giving one month prior notice to Guangzhou Bawang without paying any compensation.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Guangzhou Bawang has obtained the Real Estate Title Certificates of the property and has the rights to lease the property;
 - b. The Tenancy Agreement with respect to the property is legal, valid and enforceable and the property could be legally used by Bawang Guangzhou during the lease term; and
 - c. The Tenancy Agreement has been registered in accordance with the PRC laws.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 May 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration

statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associate(s) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
 - (bb) any contract or arrangement for the giving of any security or indemnity to a third-party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associate(s) are not in aggregate beneficially interested in five per cent. (5%) or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associate(s) is derived); or
 - (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration

shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third-party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an

annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or (in the case of corporations) by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of

the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or

such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspapers or by any other means in accordance with the requirements of the Designated Stock Exchange (as defined in the Articles) to that effect, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular

dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 18 December 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on

certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or; under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and

distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 11 December 2007. We have been registered in Hong Kong under Part XI of the Companies Ordinance as a non-Hong Kong company and our principal place of business in Hong Kong is at Suite B, 12/F, Ritz Plaza, 122 Austin Road, Tsimshatsui, Kowloon, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Shum Sui On has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above.

As we were incorporated in the Cayman Islands, our corporate structure, our Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum and Articles of Association and certain aspects of Cayman Companies Law are set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

The following sets out the changes in our Company's issued share capital since the date of its incorporation:

- (a) as of the date of the incorporation of the Company, the authorized share capital of the Company was US\$50,000 divided into 50,000 shares of par value of US\$1.0 each. One share was subscribed by Codan Trust Company (Cayman) Limited which was subsequently transferred to Fortune Station;
- (b) By resolutions in writing of Fortune Station, our sole Shareholder, passed on 10 December 2008, (i) the authorized share capital of the Company was increased to HK\$1,000 divided into 10,000 Shares; (ii) the Company issued 10,000 Shares of HK\$0.1 each to Fortune Station; (iii) following the issue as per sub-paragraph (ii) above, the Company repurchased one share of US\$1.0 each in the share capital of the Company; and (iv) the authorized but unissued share capital of the Company was diminished by the cancellation of all unissued shares;
- (c) By resolutions in writing of Fortune Station, our sole Shareholder, passed on 20 May 2009, the authorized share capital of our Company was increased from 10,000 to 10,000,000,000 by creation of 9,999,990,000 new Shares ranking pari passu in all respects with the then existing issued Shares;
- (d) Conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorized to capitalize an amount of HK\$209,999,000 from the amount standing to the credit of the share premium account of the Company and that the said sum be applied in paying up in full at par 2,099,990,000 Shares, such Shares to be allotted and issued, credited as fully paid at par to Fortune Station;
- (e) Immediately upon completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option and no options granted under the Pre-IPO Share Option Scheme and Share Option Scheme are exercised), 2,800,000,000 Shares will be issued fully paid or credited as fully paid;
- (f) In the event that the Over-allotment Option is exercised in full, 2,905,000,000 Shares will be issued fully paid or credited as fully paid.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Changes in share capital or registered capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus as well as the section headed "Our Subsidiaries" in this Appendix. The following alterations in the share or registered capital of our subsidiaries had taken place within the two years immediately preceding the date of this prospectus:

(a) Maxford Investments

Maxford Investments was incorporated under the laws of BVI with limited liability on 11 April 2007 and is authorized to issue 50,000 no par shares. One share was subscribed by our Company at a consideration of US\$1.0.

(b) Forever Giants

Forever Giants was incorporated under the laws of the BVI with limited liability on 8 August 2008 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. One share was subscribed by our Company.

(c) Bawang Hong Kong

Bawang Hong Kong was incorporated under the laws of Hong Kong with limited liability on 31 October 2007 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Bawang Bermuda. On 28 December 2007, Maxford Investments acquired one share in Bawang Hong Kong from Bawang Bermuda for a consideration of HK\$1.0.

(d) Bawang Trading

Bawang Trading was incorporated under the laws of Hong Kong with limited liability on 24 January 2008 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Maxford Investments.

(e) Lucky Rich

Lucky Rich was incorporated under the laws of BVI with limited liability on 2 January 2008 and is authorized to issue 50,000 no par value shares. 5,100 shares and 4,900 shares were subscribed by Mr. Chen and Ms. Wan, respectively, at a consideration of US\$10,000. On 5 November 2008, Mr. Chen and Ms. Wan transferred all their shares in Lucky Rich to Maxford Investments.

(f) Bawang Investments

Bawang Investments was incorporated under the laws of Hong Kong with limited liability on 24 January 2008 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Lucky Rich.

(g) Bawang Guangzhou

Bawang Guangzhou was established under the laws of the PRC as a wholly foreign owned enterprise on 13 April 2005 with an initial registered capital of US\$12.5 million. The entire registered capital of Bawang Guangzhou was held by Bawang Bermuda. On 20 December 2007, Bawang Bermuda and Bawang Hong Kong entered into an equity transfer agreement, pursuant to which Bawang Bermuda transferred its entire equity interest in Bawang Guangzhou to Bawang Hong Kong for a consideration of US\$12.5 million.

4. Resolutions of our Shareholder passed on 20 May 2009

Written resolutions were passed by Fortune Station, our sole Shareholder, on 20 May 2009 pursuant to which, among other matters:

- (a) our Company approved and adopted the Articles of Association;
- (b) the authorized share capital of our Company was increased from 10,000 to 10,000,000,000 by the creation of 9,999,990,000 new Shares ranking pari passu in all respects with the then existing issued Shares;
- (c) conditional on (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares as mentioned in this prospectus (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option, subject only to allotment) and any Shares which may be issued pursuant to the exercise of options which may be granted, under the Pre-IPO Share Option Scheme and Share Option Scheme; (ii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (iii) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective underwriting agreements,
 - the Global Offering of 700,000,000 new Shares and conditional on the share premium account of the Company being credited as a result of the issue of Shares pursuant to the Global Offering, the allotment and issue of 2,099,990,000 Shares to Fortune Station, by capitalizing an amount of HK\$209,999,000 standing to the credit of the share premium account of the Company were approved, and the Directors were authorized to allot and issue such Shares pursuant to the Global Offering and the Capitalization Issue.
 - the Listing was approved and the Directors were authorized to implement the Listing.
 - conditional further on the Listing Committee granting approval for the listing of, and permission to allot, issue and deal in the Shares which may fall to be issued pursuant to the Pre-IPO Share Option Scheme and Share Option Scheme, and the Directors, or any duly authorized committee of them, were authorized to grant Shares or options thereunder.
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or any adjustment of rights to subscribe for Shares under options or warrants or a specific authority granted by the Shareholders of the Company or exercise of the subscription or conversion rights attaching to any warrants issued by the Company, Shares with an aggregate nominal amount not exceeding the sum of (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option); and (ii) the aggregate nominal amount of the share capital of our Company which may be purchased or repurchased by our Company pursuant to the authority granted to the Directors as referred to in paragraph (e) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by any applicable law or the Articles to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;
- (e) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to purchase or repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws, Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the

share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by any applicable law or the Articles to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and

- (f) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (e) above.

5. Reorganization

We underwent a series of the reorganization which involved the following:-

- (a) Our Company was incorporated under the laws of Cayman Islands with limited liability on 11 December 2007. At the time of its incorporation, it has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. One share was subscribed by Codan Trust Company (Cayman) Limited which was subsequently transferred to Fortune Station.

Pursuant to the resolutions in writing of Fortune Station, our sole Shareholder, passed on 10 December 2008, (i) the authorized share capital of the Company was increased to HK\$1,000 by divided into 10,000 Shares; (ii) the Company issued 10,000 Shares of HK\$0.1 each to Fortune Station; (iii) following the issue as per sub-paragraph (ii) above, the Company repurchased one share of US\$1.0 each in the share capital of the Company; and (iv) the authorized but unissued share capital of the Company was diminished by the cancellation of all unissued shares.

- (b) Maxford Investments was incorporated under the laws of the BVI with limited liability on 11 April 2007 and is authorized to issue 50,000 no par value shares. One share was subscribed by our Company.
- (c) Forever Giants was incorporated under the laws of the BVI with limited liability on 8 August 2008 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. One share was subscribed by our Company at a consideration of US\$1.0.
- (d) Bawang Hong Kong was incorporated under the laws of Hong Kong with limited liability on 31 October 2007 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Bawang Bermuda. On 28 December 2007, Maxford Investments acquired one share in Bawang Hong Kong from Bawang Bermuda for a consideration of HK\$1.0.
- (e) Bawang Trading was incorporated under the laws of Hong Kong with limited liability on 24 January 2008 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Maxford Investments.
- (f) Lucky Rich was incorporated under the laws of the BVI with limited liability on 2 January 2008 and is authorized to issue 50,000 no par value shares. 5,100 shares and 4,900 shares were subscribed by Mr. Chen and Ms. Wan, respectively, at a consideration of US\$10,000. On 5 November 2008, Mr. Chen and Ms. Wan transferred all their shares in Lucky Rich to Maxford Investments.
- (g) Bawang Investments was incorporated under the laws of Hong Kong with limited liability on 24 January 2008 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. One share was subscribed by Lucky Rich.
- (h) On 18 March 2006, Bawang Guangzhou and Guangzhou Bawang entered into a processing agreement, pursuant to which Bawang Guangzhou agreed to outsource the production of our 霸王 (Bawang), 雪美人 (Smerry) and Litao (丽涛) branded products to Guangzhou Bawang until Bawang Guangzhou obtaining the necessary production licenses and Guangzhou Bawang

agreed to manufacture such products exclusively for Bawang Guangzhou during this period. Bawang Guangzhou obtained the necessary production licenses on 20 November 2007.

- (i) On 8 April 2006, Guangzhou Bawang and Bawang Guangzhou entered into a HPC product business transfer agreement, pursuant to which Guangzhou Bawang agreed to transfer all its rights and obligations under the existing sales contracts related to the HPC product business to Bawang Guangzhou together with all the related trade receivables and receipts in advance with an aggregate net amount of RMB3.4 million. Guangzhou Bawang ceased sale of its products, except to Bawang Guangzhou, with effect from 30 September 2006.
- (j) On 18 December 2007, Guangzhou Bawang and Bawang Guangzhou entered into an equipment and machinery transfer agreement, pursuant to which Guangzhou Bawang agreed to transfer all its equipment and machinery relating to the production of HPC products to Bawang Guangzhou for a consideration of approximately RMB9.8 million.
- (k) Bawang Guangzhou was established under the laws of the PRC as a wholly foreign-owned enterprise on 13 April 2005 with a registered capital of US\$12.5 million and the entire registered capital of Bawang Guangzhou was held by Bawang Bermuda. On 20 December 2007, Bawang Bermuda and Bawang Hong Kong entered into an equity transfer agreement, pursuant to which Bawang Bermuda agreed to transfer its entire equity interest in Bawang Guangzhou to Bawang Hong Kong for a consideration of US\$12.5 million. Bawang Guangzhou became our indirect wholly-owned subsidiary.

6. Repurchase of the Company's Own Shares

This section includes information relating to the repurchase by us of our own shares, including information required by the Stock Exchange to be included in this prospectus concerning the repurchase.

(a) *Shareholders' approval*

All our proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolutions in writing passed by Fortune Station, our sole Shareholder on 20 May 2009, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing them to exercise all powers of our Company to purchase or repurchase our Shares on the Stock Exchange or on any other stock exchange on which our Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by any applicable law or the Articles to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) *Number of Shares which may be repurchased*

The exercise in full of the Repurchase Mandate, on the basis of 2,800,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalization Issue, could accordingly result in up to 280,000,000 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or (iii) the revocation or variation of the

Repurchase Mandate by ordinary resolution of the Shareholders in a general meeting, whichever occurs first.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and our assets and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Source of funds*

Repurchases by our Company must be funded out of funds legally available for such purpose in accordance with the Articles of Association, the applicable laws and regulations of the Cayman Islands and the Listing Rules. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by our Company may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital and in the case of any premium payable on a repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company, or if authorized by the Articles and subject to the applicable laws and regulations of the Cayman Islands, out of capital.

(e) *Impact of repurchase*

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *Directors' intention to sell shares*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to us.

(g) *Directors' undertakings*

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands and the Articles of Association.

(h) *Takeovers Code*

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting

in concert, depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(i) *Share repurchase made by our Company*

No repurchase of Shares has been made by our Company since its incorporation.

(j) *Connected parties*

No connected person of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of our material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or our subsidiaries within the two years preceding the date of this prospectus which are or may be material:

- (a) an instrument of transfer and bought and sold notes dated 28 December 2007 entered into between Bawang Bermuda, as the transferor, and Maxford Investments, as the transferee, pursuant to which Bawang Bermuda agreed to transfer one share in Bawang Hong Kong to Maxford Investments for a consideration of HK\$1.0;
- (b) a share transfer agreement dated 20 December 2007 entered into between Bawang Bermuda, as the transferor, and Bawang Hong Kong, as the transferee, pursuant to which Bawang Bermuda agreed to transfer its entire equity interests in Bawang Guangzhou to Bawang Hong Kong for a consideration of US\$12.5 million;
- (c) a supplemental processing agreement dated 4 December 2007 entered into between Bawang Guangzhou and Guangzhou Bawang, pursuant to which Bawang Guangzhou and Guangzhou Bawang agreed to extend the term of the processing agreement referred to in (c) above to 4 December 2007;
- (d) an equipment and machinery transfer agreement dated 21 December 2007 entered into between Guangzhou Bawang, as the transferor, and Bawang Guangzhou, as the transferee, pursuant to which Guangzhou Bawang agreed to transfer all its equipment and machinery relating to the production of HPC products to Bawang Guangzhou for a consideration of approximately RMB9.8 million;
- (e) a trademark assignment agreement dated 20 December 2007 entered into between Old Guangzhou Bawang, as the assignor, and Bawang Guangzhou, as the assignee, pursuant to which Old Guangzhou Bawang agreed to assign certain trademarks registered under classes three and five in the PRC to Bawang Guangzhou for nil consideration;
- (f) a trademark assignment agreement dated 20 December 2007 entered into between Guangzhou Bawang, as the assignor, and Bawang Guangzhou, as the assignee, pursuant to which Guangzhou Bawang agreed to assign certain trademarks registered under classes three and five in the PRC to Bawang Guangzhou for nil consideration;
- (g) a trademark assignment agreement dated 22 June 2008 entered into between Old Guangzhou Bawang, as the assignor, and Bawang Guangzhou, as the assignee, pursuant to which Old Guangzhou Bawang agreed to assign certain trademarks registered under classes three and five in the PRC to Bawang Guangzhou for nil consideration;

- (h) a trademark assignment agreement dated 22 June 2008 entered into between Mr. Chen, as the assignor, and Bawang Guangzhou, as the assignee, pursuant to which Mr. Chen agreed to assign certain trademarks and trademark applications registered and/or filed in the PRC to Bawang Guangzhou for nil consideration;
- (i) a trademark assignment agreement dated 20 August 2008 entered into between Guangzhou Bawang, as the assignor, and Bawang Guangzhou, as the assignee, pursuant to which Guangzhou Bawang agreed to assign a 霸王 (Bawang) registered trademark, which was awarded Well-known Trademark of China, under class three to Bawang Guangzhou for nil consideration;
- (j) two trademark assignment agreements dated 22 June 2008 and 25 August 2008 entered into between Bawang Guangzhou and Guangzhou Bawang pursuant to which Guangzhou Bawang agreed to assign all its 霸王 (Bawang) trademarks and trademark applications, which are registered and/or filed in the PRC, to Bawang Guangzhou for nil consideration and Bawang Guangzhou will, except for those 霸王 (Bawang) trademarks which will be used in the Group's business, transfer or license back the registered 霸王 (Bawang) trademarks to Guangzhou Bawang, solely for the use in connection with the businesses of Guangzhou Bawang, which are non-HPC product related, on a royalty-free and perpetual basis;
- (k) a technology transfer agreement dated 8 January 2009 entered into between Mr. Chen, Ms. Wan, Guangzhou Bawang and Bawang Guangzhou, pursuant to which Mr. Chen and Ms. Wan agreed to transfer all proprietary formulae used in the production of our shampoo products to Bawang Guangzhou for nil consideration;
- (l) a technology transfer agreement dated 8 January 2009 entered into among Mr. Chen, Ms. Wan, Guangzhou Bawang and Bawang Guangzhou, pursuant to which Guangzhou Bawang agreed to transfer the proprietary formulae used in the production of our 雪美人 (Smerry) branded skin-care products to Bawang Guangzhou for nil consideration;
- (m) a deed of assignment dated 10 December 2008 given by Guangzhou Bawang, as the assignor, in favor of Bawang Guangzhou, as the assignee, pursuant to which Guangzhou Bawang agreed to assign all its registered trademarks and trademark applications registered and/or filed outside the PRC which are related to the Group's operations to Bawang Guangzhou for nil consideration;
- (n) a registered design assignment agreement dated 22 December 2007 entered into between Guangzhou Bawang, as the assignor, and Bawang Guangzhou, as the assignee, pursuant to which Guangzhou Bawang agreed to assign to Bawang Guangzhou certain registered designs for nil consideration;
- (o) a registered design assignment agreement dated 16 January 2009 entered into between Guangzhou Bawang, as the assignor, and Bawang Guangzhou, as the assignee, pursuant to which Guangzhou Bawang agreed to assign to Bawang Guangzhou the remaining registered design in relation to our products for nil consideration;
- (p) a non-competition deed dated 22 May 2009 given by our Controlling Shareholders in favor of our Company (for itself and for the benefit of its subsidiaries) regarding the non-competition undertaking as more particularly referred to in the section headed "Relationship with Controlling Shareholders" in this prospectus;
- (q) a deed of indemnity dated 22 May 2009 given by our Controlling Shareholders in favor of our Company more particularly referred to in the section headed "Tax and other indemnity" in this Appendix; and
- (r) the Hong Kong Underwriting Agreement.

2. Our Subsidiaries

As of the date of Latest Practicable Date, the Company had the following subsidiaries:

Name of subsidiary	Place and date of incorporation / establishment	Issued and fully paid up / registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Maxford Investments Development Ltd.	BVI 11 April 2007	1 share of no par value with US\$1 paid up as consideration	100%	—	Investment holding
Forever Giants Limited	BVI 8 August 2008	US\$1	100%	—	Marketing and promotion of the HPC products
Lucky Rich Investments Limited	BVI 2 January 2008	10,000 shares of no par value with US\$10,000 paid up as consideration	—	100%	Investment holding
Bawang International Investments Limited	Hong Kong 24 January 2008	HK\$1	—	100%	Investment holding
BaWang International Group Holding (HK) Limited	Hong Kong 31 October 2007	HK\$1	—	100%	Investment holding
Hong Kong Bawang International Trading Limited	Hong Kong 24 January 2008	HK\$1	—	100%	Trading of HPC products
霸王(廣州)有限公司 (Bawang (Guangzhou) Co., Ltd.) ⁽ⁱ⁾	the PRC 13 April 2005	US\$12,500,000	—	100%	Manufacturing and trading of HPC products

(i) This entity is a wholly foreign-owned enterprise established in the PRC.

3. Our intellectual property rights






Trademarks

As of the Latest Practicable Date, our Group had the following registered trademarks:















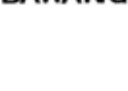
Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
	3	PRC	3326807	14 June 2004	13 June 2014
霸王	3	PRC	908593	7 December 1996	6 December 2016
霸王	3	PRC	3811018	7 September 2008	6 September 2018
霸王	5	PRC	912794	14 December 1996	13 December 2016
	3	PRC	1456347	14 October 2000	13 October 2010
BAWANG	3	PRC	1480316	28 November 2000	27 November 2010
霸王	3	PRC	1520330	14 February 2001	13 February 2011
雪美人 SMERRY	3	PRC	1805263	14 July 2002	13 July 2012
雪美人 SMERRY	3	PRC	3293866	14 January 2008	13 January 2018
雪美人 SMERRY	5	PRC	3293867	21 June 2004	20 June 2014
SMÉRRY	3	PRC	4203129	7 August 2007	6 August 2017
SMÉRRY 雪美人	3	PRC	4203130	7 August 2007	6 August 2017
SMÉRRY	5	PRC	4203131	7 August 2007	6 August 2017
雪美人	3	PRC	4203132	7 August 2007	6 August 2017
	3	PRC	1270170	7 May 1999	6 May 2009
LITAO 丽涛	3	PRC	1636356	21 September 2001	20 September 2011
	3	PRC	3489005	28 January 2005	27 January 2015
天王	5	PRC	920783	28 December 1996	27 December 2016

Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
	3	PRC	1194146	28 July 1998	27 July 2018
大姨	5	PRC	1592564	28 June 2001	27 June 2010
高医生	3	PRC	3459696	28 November 2004	27 November 2014
追风	3	PRC	3655477	7 October 2005	6 October 2015
追风	5	PRC	3655478	7 December 2005	6 December 2015
飘飘然	3	PRC	3655481	28 December 2005	27 December 2015
ARTION 牙神	3	PRC	3911990	28 September 2006	27 September 2016
一刷	3	PRC	3911991	21 August 2006	20 August 2016
一擦	3	PRC	3911992	21 August 2006	20 August 2016
高新	3	PRC	3945802	21 August 2006	20 August 2016
America Suet Mei Yan 美國雪美人	3, 5, 35	Hong Kong	300347724	3 January 2005	2 January 2015
Suet Mei Yan 雪美人	3, 5, 35	Hong Kong	300347733	3 January 2005	2 January 2015
Li Tao 丽涛	3, 5	Hong Kong	300349939	7 January 2005	6 January 2015
Lai Tao 麗濤	3, 5	Hong Kong	300349948	7 January 2005	6 January 2015
Ba Wong 霸王	3, 5	Hong Kong	300349957	7 January 2005	6 January 2015
 BAWANG	3, 5	Hong Kong	300755398	7 November 2006	6 November 2016
	3	Hong Kong	301101626	24 April 2008	23 April 2018

Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
	3, 5, 35, 44	Hong Kong	300389593	21 March 2005	20 March 2015
	3	Hong Kong	301193076	2 September 2008	2 September 2018
	3	Hong Kong	301223685	20 October 2008	20 October 2018
	3	Taiwan	01220268	1 August 2006	31 July 2016
	5	Taiwan	01213522	16 June 2006	15 June 2016
	3	Taiwan	01252428	1 March 2007	28 February 2017
	3	Singapore	T0813068D	22 September 2008	22 September 2018
	3	Nicaragua	0703533LM	9 January 2008	8 January 2018
	3	Singapore	T0517871F	22 September 2005	21 September 2015
	5	Singapore	T0517872D	22 September 2005	21 September 2015
	3	Thailand	Kor266012	21 July 2006	20 July 2016
	3	Thailand	Kor257166	21 July 2006	20 July 2016
	3	Mexico	990149	11 January 2007	11 January 2017
	3	New Zealand	760035	4 December 2006	3 December 2016

Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
	3	Ecuador	032614	12 September 2007	12 September 2017
	3	Jamaica	049661	8 January 2008	20 December 2016
	3	Chile	794016	17 August 2007	17 August 2017
	3	Jordan	90908	14 February 2007	13 February 2017
	3	Myanmar	2282/2007	6 April 2007	7 April 2010

As of the Latest Practicable Date, our Group has applied for the registration of the following trademarks:

<u>Trademark</u>	<u>Class</u>	<u>Place of Application</u>	<u>Application number</u>	<u>Application Date</u>
	3	PRC	6445113	18 December 2007
	5	PRC	6445128	18 December 2007
	10	PRC	6445132	18 December 2007
	18	PRC	6445134	18 December 2007
	21	PRC	6445136	18 December 2007
	23	PRC	6445137	18 December 2007
	24	PRC	6445138	18 December 2007
	28	PRC	6445139	18 December 2007
	29	PRC	6445140	18 December 2007
	32	PRC	6445141	18 December 2007
	30	PRC	6447132	18 December 2007
	40	PRC	6447136	18 December 2007
	9	PRC	6567606	27 February 2008
	11	PRC	6567608	27 February 2008
	19	PRC	6567610	27 February 2008












Trademark	Class	Place of Application	Application number	Application Date
	36	PRC	6567615	27 February 2008
	37	PRC	6567620	27 February 2008
	39	PRC	6567625	27 February 2008
	3	PRC	6482489	29 December 2007
牙神	3	PRC	5285014	13 April 2006
霸天	5	PRC	5593510	8 September 2006
天霸	5	PRC	5593511	8 September 2006
本草	3	PRC	6084780	1 June 2007
小霸王	3	PRC	6493556	4 January 2008
一洗	3	PRC	6543271	1 February 2008
	3	PRC	6565986	26 February 2008
	3	PRC	6565990	26 February 2008
	21	PRC	6565994	26 February 2008

Trademark	Class	Place of Application	Application number	Application Date
	44	PRC	6565997	26 February 2008
	5	PRC	6565999	26 February 2008
	3	PRC	6571717	29 February 2008
露洁	3	PRC	3945804	8 March 2004
HERBORN	3	PRC	6932956	2 September 2008
清肌	3	PRC	6932957	2 September 2008
莲润	3	PRC	6932965	2 September 2008
八味	3	PRC	6932966	2 September 2008
南霸	5	PRC	6932970	2 September 2008
南霸天	5	PRC	6932972	2 September 2008
九味	3	PRC	6967697	23 September 2008
九味	30	PRC	6967692	23 September 2008
九味	32	PRC	6960489	18 September 2008
六味	3	PRC	6967698	23 September 2008
三花	3	PRC	6960491	18 September 2008
七草	3	PRC	6967696	23 September 2008
生肌	32	PRC	6967691	23 September 2008
生肌	3	PRC	6967695	23 September 2008

Trademark	Class	Place of Application	Application number	Application Date
生机	3	PRC	6967694	23 September 2008
红润透白	3	PRC	6967693	23 September 2008
高医生	3	PRC	7169422	16 January 2009
高医生	5	PRC	7169429	16 January 2009
	3	PRC	7250256	12 March 2009
	3	PRC	7172553	19 January 2009
	3	PRC	7172554	19 January 2009
	3, 5, 35, 44	Hong Kong	300427743	26 May 2005
 雪美人	3, 5, 35, 44	Hong Kong	300427752	26 May 2005
	3, 5	Hong Kong	300427761	26 May 2005
	3	Hong Kong	301223694	20 October 2008
	3	Hong Kong	301200554	12 September 2008
	3	Hong Kong	301294984	27 February 2009

Trademark	Class	Place of Application	Application number	Application Date
	3	Hong Kong	301308852	20 March 2009
	3	Hong Kong	301282194	6 February 2009
	3	Hong Kong	301273013	15 January 2009
追風	3	Hong Kong	301245339	25 November 2008
大姨	5	Hong Kong	301263979	25 December 2008
大姨妈	5	Hong Kong	301263988	25 December 2008
Doctor Gao 高医生	3, 5	Hong Kong	301274823	20 January 2009
	3	Taiwan	98009865	17 March 2009
	3	Singapore	T0903203A	25 March 2009
	3	Colombia	342159	14 March 2007

As of the Latest Practicable Date, applications have been made for the transfer of the following registered trademarks pursuant to the trademark assignment agreement dated 10 December 2008:

<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
	3	Macao	N/18788	5 January 2006	4 January 2013
	5	Macao	N/18789	5 January 2006	4 January 2013
	3	Laos	15450	27 July 2007	26 December 2016
	3	Haiti	50 Reg. 156	14 July 2007	13 July 2017
	3	Peru	307376	18 June 2007	17 June 2017
	3	Oman	43508	6 February 2007	6 February 2017
	3	United Arab Emirates	90100	28 November 2007	4 February 2017
	3	Dominican Republic	2007-15999	15 May 2007	15 May 2017
	3	Yemen	31764	29 January 2007	29 January 2017
	3	Belize	42495-07	17 April 2007	16 April 2017
	3	Cambodia	26864	22 December 2006	21 December 2016

Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
	3	Bolivia	113576-C	23 May 2008	23 May 2018
	3	Panama	159200	23 February 2007	23 February 2017
	3	Qatar	43156	8 February 2007	8 February 2017
霸王	3	Ireland	908715(*)	11 December 2006	10 December 2016
霸王	3	Benelux	908715(*)	11 December 2006	10 December 2016
霸王	3	Australia	908715(*)	11 December 2006	10 December 2016
霸王	3	The United Kingdom	908715(*)	11 December 2006	10 December 2016
霸王	3	Norway	908715(*)	11 December 2006	10 December 2016
霸王	3	Japan	908715(*)	11 December 2006	10 December 2016
霸王	3	Syria Arab Republic	908715(*)	11 December 2006	10 December 2016
霸王	3	Georgia	908715(*)	11 December 2006	10 December 2016
霸王	3	Albania	908715(*)	11 December 2006	10 December 2016
霸王	3	Austria	908715(*)	11 December 2006	10 December 2016
霸王	3	Azerbaijan	908715(*)	11 December 2006	10 December 2016
霸王	3	Bosnia-Herzegovina	908715(*)	11 December 2006	10 December 2016
霸王	3	Bulgaria	908715(*)	11 December 2006	10 December 2016
霸王	3	Belarus	908715(*)	11 December 2006	10 December 2016
霸王	3	Switzerland	908715(*)	11 December 2006	10 December 2016

<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
霸王	3	Cuba	908715(*)	11 December 2006	10 December 2016
霸王	3	Czech Republic	908715(*)	11 December 2006	10 December 2016
霸王	3	Germany	908715(*)	11 December 2006	10 December 2016
霸王	3	Algeria	908715(*)	11 December 2006	10 December 2016
霸王	3	Egypt	908715(*)	11 December 2006	10 December 2016
霸王	3	Spain	908715(*)	11 December 2006	10 December 2016
霸王	3	France	908715(*)	11 December 2006	10 December 2016
霸王	3	Croatia	908715(*)	11 December 2006	10 December 2016
霸王	3	Italy	908715(*)	11 December 2006	10 December 2016
霸王	3	Kyrgyzstan	908715(*)	11 December 2006	10 December 2016
霸王	3	Democratic People's Republic of Korea	908715(*)	11 December 2006	10 December 2016
霸王	3	Kazakhstan	908715(*)	11 December 2006	10 December 2016
霸王	3	Liechtenstein	908715(*)	11 December 2006	10 December 2016
霸王	3	Liberia	908715(*)	11 December 2006	10 December 2016
霸王	3	Latvia	908715(*)	11 December 2006	10 December 2016
霸王	3	Morocco	908715(*)	11 December 2006	10 December 2016
霸王	3	Monaco	908715(*)	11 December 2006	10 December 2016
霸王	3	Moldova	908715(*)	11 December 2006	10 December 2016
霸王	3	Macedonia	908715(*)	11 December 2006	10 December 2016
霸王	3	Mongolia	908715(*)	11 December 2006	10 December 2016












<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
霸王	3	Poland	908715(*)	11 December 2006	10 December 2016
霸王	3	Portugal	908715(*)	11 December 2006	10 December 2016
霸王	3	Romania	908715(*)	11 December 2006	10 December 2016
霸王	3	Russian Federation	908715(*)	11 December 2006	10 December 2016
霸王	3	Sudan	908715(*)	11 December 2006	10 December 2016
霸王	3	Slovenia	908715(*)	11 December 2006	10 December 2016
霸王	3	Slovakia	908715(*)	11 December 2006	10 December 2016
霸王	3	San Marino	908715(*)	11 December 2006	10 December 2016
霸王	3	Tajikistan	908715(*)	11 December 2006	10 December 2016
霸王	3	Ukraine	908715(*)	11 December 2006	10 December 2016
霸王	3	Uzbekistan	908715(*)	11 December 2006	10 December 2016
霸王	3	Republic of Serbia	908715(*)	11 December 2006	10 December 2016
霸王	3	Sierra Leone	908715(*)	11 December 2006	10 December 2016
霸王	3	Kenya	908715(*)	11 December 2006	10 December 2016
霸王	3	Swaziland	908715(*)	11 December 2006	10 December 2016
霸王	3	Mozambique	908715(*)	11 December 2006	10 December 2016
霸王	3	Lesotho	908715(*)	11 December 2006	10 December 2016
霸王	3	Bhutan	908715(*)	11 December 2006	10 December 2016
霸王	3	Islamic Republic of Iran	908715(*)	11 December 2006	10 December 2016
霸王	3	Cyprus	908715(*)	11 December 2006	10 December 2016
霸王	3	Namibia	908715(*)	11 December 2006	10 December 2016













Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
霸王	3	Denmark	908715(*)	11 December 2006	10 December 2016
霸王	3	Turkey	908715(*)	11 December 2006	10 December 2016
霸王	3	Hungary	908715(*)	11 December 2006	10 December 2016
霸王	3	Finland	908715(*)	11 December 2006	10 December 2016
霸王	3	Sweden	908715(*)	11 December 2006	10 December 2016
霸王	3	Iceland	908715(*)	11 December 2006	10 December 2016
霸王	3	Lithuania	908715(*)	11 December 2006	10 December 2016
霸王	3	Estonia	908715(*)	11 December 2006	10 December 2016
霸王	3	Turkmenistan	908715(*)	11 December 2006	10 December 2016
霸王	3	Antigua and Barbuda	908715(*)	11 December 2006	10 December 2016
霸王	3	Greece	908715(*)	11 December 2006	10 December 2016
霸王	3	Zambia	908715(*)	11 December 2006	10 December 2016
霸王	3	Netherlands Antilles	908715(*)	11 December 2006	10 December 2016
霸王	3	Bahrain	908715(*)	11 December 2006	10 December 2016
BAWANG	3	Benelux	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Ireland	908482(*)	11 December 2006	10 December 2016
BAWANG	3	The United Kingdom	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Australia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Norway	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Japan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Syria Arab Republic	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Turkey	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Albania	908482(*)	11 December 2006	10 December 2016

<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
BAWANG	3	Austria	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Azerbaijan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Bosnia-Herzegovina	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Bulgaria	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Belarus	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Switzerland	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Cuba	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Czech Republic	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Germany	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Algeria	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Egypt	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Spain	908482(*)	11 December 2006	10 December 2016
BAWANG	3	France	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Croatia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Italy	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Kyrgyzstan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Democratic People's Republic of Korea	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Kazakhstan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Liechtenstein	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Liberia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Latvia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Morocco	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Monaco	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Moldova	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Macedonia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Mongolia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Poland	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Portugal	908482(*)	11 December 2006	10 December 2016

<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
BAWANG	3	Romania	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Russian Federation	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Sudan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Slovenia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Slovakia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	San Marino	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Tajikistan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Ukraine	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Uzbekistan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Republic of Serbia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Sierra Leone	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Kenya	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Swaziland	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Mozambique	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Lesotho	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Bhutan	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Islamic Republic of Iran	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Cyprus	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Namibia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Viet Nam	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Armenia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Denmark	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Finland	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Sweden	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Iceland	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Lithuania	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Estonia	908482(*)	11 December 2006	10 December 2016
BAWANG	3	Turkmenistan	908482(*)	11 December 2006	10 December 2016





















Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
BAWANG	3	Antigua and Barbuda	908482 ^(*)	11 December 2006	10 December 2016
BAWANG	3	Greece	908482 ^(*)	11 December 2006	10 December 2016
BAWANG	3	Zambia	908482 ^(*)	11 December 2006	10 December 2016
BAWANG	3	Netherlands Antilles	908482 ^(*)	11 December 2006	10 December 2016
BAWANG	3	Bahrain	908482 ^(*)	11 December 2006	10 December 2016
BAWANG	3	Hungary	908482 ^(*)	11 December 2006	10 December 2016
BAWANG	3	Georgia	908482 ^(*)	11 December 2006	10 December 2016
	3	Taiwan	01213335	16 June 2006	15 June 2016
	5	Taiwan	01206707	1 May 2006	30 April 2016
	3	Macao	N/018790	9 February 2006	9 February 2013
	5	Macao	N/018791	9 February 2006	9 February 2013
	3	Malaysia	05015889	22 September 2005	21 September 2015
	5	Malaysia	05015890	22 September 2005	21 September 2015
	3	Singapore	T0517873B	22 September 2005	21 September 2015
	5	Singapore	T0517874J	22 September 2005	21 September 2015
	3	Macao	N/018792	5 January 2006	5 January 2016
	5	Macao	N/018793	5 January 2006	5 January 2016











Trademark	Class	Place of Registration	Registration Number	Registration Date	Expiry Date
SMÉRRY  雪美人	3	Malaysia	05015887	22 September 2005	22 September 2015
SMÉRRY  雪美人	5	Malaysia	05015888	22 September 2005	22 September 2015
SMÉRRY  雪美人	3	Singapore	T0517875I	22 September 2005	21 September 2015
SMÉRRY  雪美人	5	Singapore	T0517876G	23 September 2005	22 September 2015
SMÉRRY	3	Thailand	632860	21 July 2006	20 July 2016
SMÉRRY	3	Taiwan	01252430	1 March 2007	28 February 2017
SMÉRRY  雪美人	3	Taiwan	01220269	1 August 2006	31 July 2016
SMÉRRY  雪美人	5	Taiwan	01206708	1 May 2006	30 April 2016
SMÉRRY  雪美人	3	Ireland	907959 ^(*)	7 December 2006	6 December 2016
SMÉRRY  雪美人	3	The United Kingdom	907959 ^(*)	7 December 2006	6 December 2016
SMÉRRY  雪美人	3	Australia	907959 ^(*)	7 December 2006	6 December 2016
SMÉRRY  雪美人	3	European Community	907959 ^(*)	7 December 2006	6 December 2016
SMÉRRY  雪美人	3	Georgia	907959 ^(*)	7 December 2006	6 December 2016

<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
	3	Norway	907959(*)	7 December 2006	6 December 2016
	3	South Korea	907959(*)	7 December 2006	6 December 2016
	3	Turkey	907959(*)	7 December 2006	6 December 2016
	3	Denmark	907959(*)	7 December 2006	6 December 2016
	3	Finland	907959(*)	7 December 2006	6 December 2016
	3	Sweden	907959(*)	7 December 2006	6 December 2016
	3	Iceland	907959(*)	7 December 2006	6 December 2016
	3	Lithuania	907959(*)	7 December 2006	6 December 2016
	3	Estonia	907959(*)	7 December 2006	6 December 2016
	3	Turkmenistan	907959(*)	7 December 2006	6 December 2016
	3	Japan	907959(*)	7 December 2006	6 December 2016
	3	Antigua and Barbuda	907959(*)	7 December 2006	6 December 2016

<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
SMÉRRY 	3	Greece	907959(*)	7 December 2006	6 December 2016
SMÉRRY 	3	Zambia	907959(*)	7 December 2006	6 December 2016
SMÉRRY 	3	Netherlands Antilles	907959(*)	7 December 2006	6 December 2016
SMÉRRY 	3	Bahrain	907959(*)	7 December 2006	6 December 2016

As of the Latest Practicable Date, applications have be made for the transfer of the following trademark registration applications, pursuant to the trademark assignment agreement dated 10 December 2008:

<u>Trademark</u>	<u>Class</u>	<u>Place of Application</u>	<u>Application number</u>	<u>Application Date</u>
 	3	Argentine Republic	2737732	4 April 2007
 	3	Puerto Rico	—	7 February 2007
 	3	the Philippines	4-2006-013435	14 December 2006
 	3	Costa Rica	11079	5 March 2007
 	3	Honduras	2007-10512	23 March 2007
 	3	Canada	1342803	11 April 2007
 	3	El Salvador	65264/2007	5 March 2007
 	3	Guatemala	5737-2007	28 July 2007
 	3	African Regional Intellectual Property Organization (A.R.I.P.O.)	—	2 March 2007
 	3	African Intellectual Property Organization (O.A.P.I.)	3200700376	2 March 2007

Trademark	Class	Place of Application	Application number	Application Date
	3	Brazil	828919194	11 January 2007
	3	Bermuda	—	25 January 2007
	3	Kuwait	86609	23 June 2007
	3	Malta	46219	1 March 2007
	3	Bangladesh	102374	10 December 2006
	3	South Africa	—	28 February 2007
	3	Saudi Arabia	113381	7 February 2007
	3	Surinam	20675	29 January 2007
	3	Venezuela	2007-001240	11 January 2007
	3	Uruguay	377464	22 January 2007

Trademark	Class	Place of Application	Application number	Application Date
 	3	India	01509488	1 December 2006
 	3	Indonesia	D00-2006-039910	8 December 2006
 	3	Vietnam	4-2008-04543	7 March 2008
	3	Malaysia	05015896	22 September 2005
	5	Malaysia	05015895	22 September 2005
BA WANG	3	Malaysia	08008751	6 May 2008
	3	Malaysia	08008750	6 May 2008




Notes:

- Class 3: Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
- Class 5: Pharmaceutical, veterinary and sanitary preparations; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
- Class 9: Scientific, nautical, surveying, electric, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.
- Class 10: Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials.
- Class 11: Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
- Class 18: Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and traveling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.
- Class 19: Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.
- Class 21: Household or kitchen utensils and containers (not of precious metal or coated therewith); combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steel wool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.
- Class 23: Yarns and threads, for textile use.
- Class 24: Textiles and textile goods, not included in other classes; bed and table covers.
- Class 28: Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
- Class 29: Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams, fruit sauces; eggs, milk and milk products; edible oils and fats.






- Class 30: Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.
- Class 32: Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.
- Class 35: Advertising; business management; business administration; office functions.
- Class 36: Insurance; financial affairs; monetary affairs; real estate affairs.
- Class 37: Building construction; repair; installation services.
- Class 39: Transport; packaging and storage of goods; travel arrangement.
- Class 40: Treatment of materials.
- Class 44: Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.
- (*) The trademarks were registered or are being applied under the applications filed with the Madrid Agreement Concerning the International Registration of Marks and Madrid Protocol. The registration and application numbers were assigned to each of those applications they are 908715, 908482 and 907959. Designations under Madrid Agreement including Albania, Algeria, Armenia, Austria, Azerbaijan, Belarus, Benelux, Bhutan, Bosnia and Herzegovina, Bulgaria, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Egypt, France, Germany, Hungary, Islamic Republic of Iran, Italy, Kazakhstan, Kenya, Kyrgyzstan, Latvia, Lesotho, Liberia, Liechtenstein, Monaco, Mongolia, Morocco, Mozambique, Namibia, Poland, Portugal, Republic of Moldova, Republic of Serbia, Romania, Russian Federation, San Marino, Sierra Leone, Slovakia, Slovenia, Spain, Sudan, Swaziland, Switzerland, Syrian Arab Republic, Tajikistan and Viet Nam. Designations under Madrid Protocol including Antigua and Barbuda, Australia, Bahrain, Denmark, Estonia, Finland, Georgia, Greece, Iceland, Ireland, Japan, Lithuania, Netherlands, Antilles, Norway, Republic of Korea, Sweden, Turkey, Turkmenistan, United Kingdom and Zambia. Declaration of intention to use the mark including United Kingdom and Ireland.

Registered Designs

As of the Latest Practicable Date, our Group has registered the following registered designs:

Registered Design	Place of Registration	Registration Number	Date of grant	Expiry Date
	PRC	ZL 2005 30167948.8	29 November 2006	9 December 2015
	PRC	ZL 2005 30167949.2	29 November 2006	9 December 2015
	PRC	ZL02 3 30182.1	2 April 2003	26 June 2012

As of the Latest Practicable Date, applications have been made for the registration of the following registered designs:

<u>Registered Design</u>	<u>Place of Application</u>	<u>Application Number</u>	<u>Application Date</u>
	PRC	200930126270.7	12 March 2009
	PRC	200930126741.4	24 April 2009
	PRC	200930007679.7	24 March 2009
	PRC	200930007680.X	24 March 2009
	PRC	200930007681.4	24 March 2009

Patents

As of the Latest Practicable Date, applications have been made for the registration of the following patents:

<u>Patent</u>	<u>Place of Application</u>	<u>Application number</u>	<u>Application Date</u>
一種何首烏提取物二苯乙烯苷的提取方法 (An Extraction Method of Stilbene Glucoside from Polygonum multiflorum Thunb.)	PRC	2008 10031093.9	17 April 2008
一種墨旱蓮皂苷類化合物的提取方法 (An Extraction Method of Saponins compound from Eclipta prostrata L.)	PRC	2008 10031092.4	17 April 2008
一種當歸藥本內酯的提取方法 (An Extraction Method of Ligustilide from Angelica sinensis (Oliv.) Diels)	PRC	2008 10031091.x	17 April 2008

Domain name

As of the Latest Practicable Date, our Group have registered the following domain names:

<u>Domain Name</u>	<u>Registrant</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
www.bawang.com.cn	Bawang Guangzhou	28 December 2004	23 June 2011
www.bawang.com.hk	Bawang Hong Kong	22 April 2008	3 September 2012
www.bawang.hk	Bawang Guangzhou	23 January 2006	23 January 2013
www.霸王.公司	Bawang Guangzhou	20 February 2006	8 March 2013
www.霸王国际.com	Bawang Guangzhou	20 February 2006	8 March 2013
www.霸王洗发水.中国	Bawang Guangzhou	18 November 2008	18 November 2018
www.霸王洗发水.com	Bawang Guangzhou	18 November 2008	18 November 2018
www.霸王洗发水.网络	Bawang Guangzhou	18 November 2008	18 November 2018
www.霸王洗发水.公司	Bawang Guangzhou	18 November 2008	18 November 2018
www.霸王洗发水.net	Bawang Guangzhou	18 November 2008	18 November 2018
www.smerry.com.cn	Bawang Guangzhou	28 December 2004	19 February 2011
www.smerry.cn	Bawang Guangzhou	28 December 2004	23 June 2011
www.smerry.com	Bawang Guangzhou	27 December 2004	23 June 2012
www.smerry.com.hk	Bawang Hong Kong	30 April 2008	30 April 2012
www.smerry.hk	Bawang Guangzhou	23 January 2006	23 January 2013
www.雪美人.com	Bawang Guangzhou	20 February 2006	8 March 2013
www.雪美人.中国	Bawang Guangzhou	20 February 2006	20 March 2013
www.丽涛.com	Bawang Guangzhou	19 February 2006	8 March 2013
www.herbon.com.cn	Bawang Guangzhou	10 July 2008	10 July 2013

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of director's service agreements and letters of appointment

Each of our executive Directors has entered into a director's service agreement with us for an initial term of three year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expired until after the fixed term. The aggregate annual salary of our executive Directors is approximately HK\$3.2 million.

Each of our non-executive Director and independent non-executive Directors, has entered into a letter of appointment with our Company. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The aggregate annual salary of our non-executive Director and independent non-executive Directors is approximately HK\$1.3 million.

Save as disclosed above, none of our Directors has or is proposed to have entered into any service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Remuneration of Directors

The aggregate amount of remuneration our Directors (except Mr. Chen and Ms. Wan, who did not receive any remuneration in 2008, and Mr. Chen Kaizhi, who was appointed on 8 April 2009) have received for the year ended 31 December 2008 was approximately RMB1.4 million. No remuneration was paid to our Directors for the years ended 31 December in 2006 and 2007.

Under the arrangements currently in force, the estimated amounts of the directors' fees and other emoluments payable to the Directors, for the year ending 31 December 2009 will be approximately HK\$3.5 million, excluding discretionary bonuses.

2. Disclosure of interests

- (a) *Interests and/or short positions of the Directors and chief executives in the share capital of our Company and its associated corporations following the Global Offering and the Capitalization Issue*

Immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme, Share Option Scheme and exercise of the Over-allotment Option), the interests and/or short positions of our Directors and chief executive in our Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and our associated corporations:

Long Position in our Company

<u>Name of Director</u>	<u>Number of Shares</u>	<u>Number of Shares subject to options granted under the Pre-IPO Share Option Scheme</u>	<u>Approximate percentage of interest in our Company/ Percentage of enlarged issue share capital of our Company upon full exercise of the Pre-IPO Share Option</u>
Mr. Chen ⁽¹⁾	2,100,000,000	—	75%
Ms. Wan ⁽²⁾	2,100,000,000	—	75%
Mr. Shen Xiaodi	—	(i) 2,100,000 (assuming that the Offer Price is set at high-end of the indicative Offer Price range); or	0.0746%
		(ii) 2,564,000 (assuming that the Offer Price is set at low-end of the indicative offer Price range).	0.0910%

<u>Name of Director</u>	<u>Number of Shares</u>	<u>Number of Shares subject to options granted under the Pre-IPO Share Option Scheme</u>	<u>Approximate percentage of interest in our Company/ Percentage of enlarged issue share capital of our Company upon full exercise of the Pre-IPO Share Option</u>
Mr. Wong Sin Yung	—	(i) 2,100,000 (assuming that the Offer Price is set at high-end of the indicative Offer Price range); or	0.0746%
		(ii) 2,564,000 (assuming that the Offer Price is set at low-end of the indicative offer Price range).	0.0910%
Ms. Guo Jing ⁽³⁾	—	(i) 2,100,000 (assuming that the Offer Price is set at high-end of the indicative Offer Price range); or	0.0746%
		(ii) 2,564,000 (assuming that the Offer Price is set at low-end of the indicative offer Price range).	0.0910%

Notes:

- (1) Mr. Chen is deemed to be interested in the Shares held by Fortune Station by virtue of Fortune Station being controlled by Mr. Chen and Ms. Wan. Mr. Chen, the spouse of Ms. Wan, is deemed to be interested in Ms. Wan's interests in Fortune Station.
- (2) Ms. Wan is deemed to be interested in the Shares held by Fortune Station by virtue of Fortune Station being controlled by Ms Wan and Mr. Chen. Ms. Wan, the spouse of Mr. Chen, is deemed to be interested in Fortune Station.
- (3) Ms. Guo Jing, the spouse of Mr. Shen Xiaodi, is deemed to be interested in the options granted to Mr. Shen Xiaodi under the Pre-IPO Share Option Scheme.

(b) *Interests and/or short positions of the Substantial Shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares to be issued pursuant to exercise of the Over-allotment Option), so far as the Directors are aware, the following persons (not being a Director or a chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Interests and short positions in our shares and underlying shares:

<u>Name</u>	<u>Capacity /Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Fortune Station	Beneficial owner	2,100,000,000	75%
Mr. Chen ⁽¹⁾	Interest in a controlled corporation	2,100,000,000	75%
Ms. Wan ⁽²⁾	Interest in a controlled corporation	2,100,000,000	75%

Notes:

- (1) Mr. Chen is the beneficial owner of 51% of the issued share capital of Fortune Station and is deemed to be interested in the Shares held by Fortune Station. Mr. Chen, the spouse of Ms. Wan, is deemed to be interested in Ms. Wan's interests in Fortune Station.
- (2) Ms. Wan is the beneficial owner of 49% of the issued share capital of Fortune Station and is deemed to be interested in the Shares held by Fortune Station. Ms. Wan, the spouse of Mr. Chen, is deemed to be interested in Mr. Chen's interests in Fortune Station.

3. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

4. Related party transactions

During the two years immediately preceding the date of this prospectus, we have engaged in related party transactions as described in note 22 of the Accountants' Report set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Global Offering (taking no account of the Over-allotment Option or any shares which may be issued pursuant to the exercise of option and granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors nor any chief executive of our Company has any interest or a short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed;

- (c) none of the Directors nor any of the parties whose names are listed in the section headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors nor any of the parties whose names are listed in the section headed "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company's business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "Consents of experts" in this Appendix:
 - (i) is interested legally or beneficially in any securities of any member of the Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (f) none of our Directors or their associates or any shareholders of our Company who to the knowledge of the Directors owns more than five per cent of our issued share capital has any interest in our five largest suppliers or our top five largest customers.

D. PRE-IPO SHARE OPTION SCHEME

Summary of Terms

The purpose of the Pre-IPO Share Option Scheme is to give our Directors, senior management and employees an opportunity to have a personal stake in our Company and help motivate our employees to optimize their performance and efficiency, and also to retain our employees whose contributions are important to the long-term growth and profitability of our Group. The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of the Shareholders dated 10 December 2008, are substantially the same as the terms of the Share Option Scheme except that:

- (a) the subscription price per Share under the Pre-IPO Share Option Scheme shall be at par value or at 50% discount to the Offer Price;
- (b) each option granted under the Pre-IPO Share Option Scheme has a 10-year exercise period;
- (c) the Shares issued within one year from the Listing Date as a result of the exercise of options under the Pre-IPO Share Option Scheme will be subject to a lock-up period of 12 months from the Listing Date; and
- (d) each option granted under the Pre-IPO Share Option Scheme shall not be transferable or assignable and shall not in any way sell, transfer, charge, mortgage, encumber or otherwise dispose or create any interest (whether legal or beneficial) whatsoever in favor of any third-party over or in relation to any option or enter into any agreement so to do.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in, our Shares, which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme on the Stock Exchange.

Outstanding Options Granted

As of the date of this prospectus, options to subscribe for an aggregate of (i) 14,532,000 Shares, assuming that the Offer Price is set at the high-end of the indicative Offer Price range, representing (a) approximately 0.5190% of the issued share capital of our Company immediately after the completion of the Global Offering and Capitalization Issue (without taking into account any Shares

which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which maybe granted under the Share Option Scheme or the exercise of the Over-allotment Option); or (b) approximately 0.5163% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue and assuming that all options granted under the Pre-IPO Share Option Scheme are fully exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option); or (ii) 17,719,000 Shares, assuming that the Offer Price is set at the low-end of the indicative Offer Price range, representing approximately (a) 0.6328% of the issued share capital of our Company immediately after the completion of the Global Offering and Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which maybe granted under the Share Option Scheme or the exercise of the Over-allotment Option); or (b) approximately 0.6288% of the issued share capital of our Company immediately after the completion of the Global Offering and the Capitalization Issue and assuming that all options granted under the Pre-IPO Share Option Scheme are fully exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option). The above options have been conditionally granted to 42 participants by our Company at a consideration of HK\$1.0 each. Since amount is payable by each of the grantee under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on 8 June 2009 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

The options have been conditionally granted based on the performance of the grantees who have made important contributions and are important to the long term growth and profitability of our Group. A total of 42 employees including two executive Directors and 12 members of the senior management of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme.

A full list of such grantees containing all the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules is set out below:

Grantee	Address	Subscription Price	Exercise Periods ⁽¹⁾ / Maximum percentage of option exercisable	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option		Percentage of enlarged issue share capital our Company upon full exercise of the Pre-IPO Share Option ⁽²⁾	
				High-end of the Offer Price	Low-end of the Offer Price	High-end of the Offer Price	Low-end of the Offer Price
Directors							
Shen Xiaodi	Unit G, Level 18, Tower 22, Ocean Vista, 8 Laguna Verde Avenue, Phase 5, Laguna Verde, Hung Hom, Kowloon	Par Value	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	2,100,000	2,564,000	0.0746%	0.0910%
Wong Sin Yung	Flat B, 11/F, Block 2, Laguna City Kwun Tong, Kowloon, Hong Kong	Par Value	1-year 40% 2-year 15% 3-year 15% 4-year 15% 5-year 15%	2,100,000	2,564,000	0.0746%	0.0910%

Grantee	Address	Subscription Price	Exercise Periods ⁽¹⁾ / Maximum percentage of option exercisable	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option		Percentage of enlarged issue share capital our Company upon full exercise of the Pre-IPO Share Option ⁽²⁾	
				High-end of the Offer Price	Low-end of the Offer Price	High-end of the Offer Price	Low-end of the Offer Price
Senior Management							
Wan Yuxian	Group 8, Zhong Wei Ju Wei Hui, Yu Dai Road Office, Hong Ta District, Yuxi, Yunnan	Par Value	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	2,100,000	2,564,000	0.0746%	0.0910%
Zhang Jialin	Group 8, Zhong Wei Ju Wei Hui, Yu Dai Road Office, Hing Ta District, Yuxi, Yunnan	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	210,000	256,000	0.0075%	0.0091%
Ma Shaochun	Bawang Industrial City, No. 8 North Huanan Road, Jiahe Street Baiyun District, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	420,000	512,000	0.0149%	0.0182%
He Xinyi	Room 701, Block H4, Phase III, Times Rose Garden, North Huangbian Road, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	420,000	512,000	0.0149%	0.0182%
Luo Hailong	Room 13D, No. 111 North Huajing Road, Tian He District, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	420,000	512,000	0.0149%	0.0182%
Mo Zhiwen	Room 203, Block 5, North 198 Hai Bin Avenue, Chikan District, Zhanjiang, Guangdong	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	420,000	512,000	0.0149%	0.0182%
Liang Jinhua	Room 2801, No. 135, Sports Center West Road, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	210,000	256,000	0.0075%	0.0091%
Huang Weiyan	Room 207, 97 Jinxin 2 Jie, Shi Cha Road, Bai Yun District, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	210,000	256,000	0.0075%	0.0091%
Chen Quan	Bawang Industrial City, No. 8 North Huanan Road, Jia He Street, Bai Yun District, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	210,000	256,000	0.0075%	0.0091%
Li Yihui	Room 1503, Block B, Lu Jing Ming Ju, Hong Gu Tan District, Nan Chang, Jiangxi	50% of the Offer Price	1-year 12% 2-year 16% 3-year 20% 4-year 24% 5-year 28%	210,000	256,000	0.0075%	0.0091%

Grantee	Address	Subscription Price	Exercise Periods ⁽¹⁾ / Maximum percentage of option exercisable	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option		Percentage of enlarged issue share capital our Company upon full exercise of the Pre-IPO Share Option ⁽²⁾	
				High-end of the Offer Price	Low-end of the Offer Price	High-end of the Offer Price	Low-end of the Offer Price
Guo Xiaoping	Room 505, Block 8, Fangcun Garden, Liwan District, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	210,000	256,000	0.0075%	0.0091%
Zhu Xiaojun	Room 604, Block 14, Fu He Garden, Tonghe Road, North Guangzhou Avenue, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	126,000	153,000	0.0045%	0.0054%
Other employees							
Wan Baoming	Room 604, No. 8, Yi Le Street, Yun Shan Shi Yi, North Huangbian Road, Guangzhou	Par value	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	2,100,000	2,564,000	0.0746%	0.0910%
Hong Hao	3/F Unit 2, Hostel of Aviation Industry Bureau, Shuangqiao Road, Chenghua District, Chengdu	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	210,000	256,000	0.0075%	0.0091%
Tan Yubin	Room 401, 2/F, Block 1, No. 2 Fu Hwa Yuen, Fuhwa Road, Middle Shiqiao, Panyu District, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	210,000	256,000	0.0075%	0.0091%
Zi Jun	Room A504, Block 14, Li Cheng Garden, Dongsheng Town, Zhongshan, Guangdong	50% of the Offer Price	1-year 12% 2-year 16% 3-year 20% 4-year 24% 5-year 28%	126,000	153,000	0.0045%	0.0054%
Ma Rui	Room 1507, Block E, Jing Yan Garden, No. 618 Yue Ken Road, Tianhe District, Guangzhou	50% of the Offer Price	1-year 10% 2-year 15% 3-year 20% 4-year 25% 5-year 30%	126,000	153,000	0.0045%	0.0054%
Han Liujiu	Room 604, Medium-sized, 68 High School Hostel, Jia He Street, Bai Yun District, Guangzhou	50% of the Offer Price	1-year 12% 2-year 16% 3-year 20% 4-year 24% 5-year 28%	126,000	153,000	0.0045%	0.0054%
Xia Ming	Flat A202, Block 11, Zhong'ao Beautiful Garden, Tanzhou Town, Zhongshan	50% of the Offer Price	1-year 12% 2-year 16% 3-year 20% 4-year 24% 5-year 28%	126,000	153,000	0.0045%	0.0054%
Teng Wu	6 Alley, North Shiyuan, Huangbian Village, Guangzhou	50% of the Offer Price	1-year 12% 2-year 16% 3-year 20% 4-year 24% 5-year 28%	126,000	153,000	0.0045%	0.0054%

Grantee	Address	Subscription Price	Exercise Periods ⁽¹⁾ / Maximum percentage of option exercisable	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option		Percentage of enlarged issue share capital our Company upon full exercise of the Pre-IPO Share Option ⁽²⁾	
				High-end of the Offer Price	Low-end of the Offer Price	High-end of the Offer Price	Low-end of the Offer Price
Zhao Cheng	Room 204, No. 9 West Yard, No. 188 Guanghai Road, Huangpu District, Guangzhou	50% of the Offer Price	1-year 12% 2-year 16% 3-year 20% 4-year 24% 5-year 28%	126,000	153,000	0.0045%	0.0054%
Chen Shaona	Room 302, No. 48 Jingxi Road, Bai Yun District, Guangzhou	50% of the Offer Price	1-year 12% 2-year 16% 3-year 20% 4-year 24% 5-year 28%	126,000	153,000	0.0045%	0.0054%
Zhong Yan	Room 2301, Hong Hu Ge, Xinganghong Garden, Luo Hu District, Shenzhen	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	84,000	102,000	0.0030%	0.0036%
Pang Jinfeng	Room 501, Unit D, Cuilinju, No. 0769, Lixiang Garden, Daliantang, Wanjiang District, Dongguan, Guangdong	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	84,000	102,000	0.0030%	0.0036%
Gao Haili	No. 74 Huan He Road, Room 203, Block A9, R&F Peach Garden, Guangzhou	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	84,000	102,000	0.0030%	0.0036%
Lu Chunhong	8-1-501, Shi Ji Kang Cheng, Xinhua District, Shijiazhuang	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	84,000	102,000	0.0030%	0.0036%
Li Guiqiang	Room 808, Block B, Hui Jin Hao Ting, Houjie, Dong Guan, Guangdong	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	126,000	153,000	0.0045%	0.0054%
Chen Qian	Room 1904, HuaXi Building, Zhongshan Si Road, Yue Xiu District, Guangzhou	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	126,000	153,000	0.0045%	0.0054%
Huang jiangang	Jiaoxi Village, Shengyang Town, Guangfeng County, Jiangxi	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	126,000	153,000	0.0045%	0.0054%
Huang Man	The right side of 3/F, Unit 3, Apartment of Electronic and Engineering Factory, 4 Jie Fang Road, Xiangfan, Hubei	50% of the Offer Price	1-year 20% 2-year 20% 3-year 20% 4-year 20% 5-year 20%	126,000	153,000	0.0045%	0.0054%

Grantee	Address	Subscription Price	Exercise Periods ⁽¹⁾ / Maximum percentage of option exercisable		Number of Shares to be issued upon full exercise of the Pre-IPO Share Option		Percentage of enlarged issue share capital our Company upon full exercise of the Pre-IPO Share Option ⁽²⁾	
					High-end of the Offer Price	Low-end of the Offer Price	High-end of the Offer Price	Low-end of the Offer Price
Zeng Lida	No. 1, 24 Xia Taoyuan Building, Gaocang Town, Hong Ta District Yuqi, Yunnan	50% of the Offer Price	1-year	20%	126,000	153,000	0.0045%	0.0054%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Hu Chengzhi	Time Rose Garden, North Huangbian Road, Baiyun District, Guangzhou	50% of the Offer Price	1-year	20%	84,000	102,000	0.0030%	0.0036%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Chen Xiaomei	No. 7 East No. 1 Street, Changban New Village, Changxing Street, Tianhe District, Guangzhou	50% of the Offer Price	1-year	20%	84,000	102,000	0.0030%	0.0036%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Wang Xia	1-2-3, No. 12 Building, North Tongtian Street, Shenhe District, Shenyang	50% of the Offer Price	1-year	20%	84,000	102,000	0.0030%	0.0036%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Fu Xuanwu	Gaopai Village, Basuo Town, Dongfang, Hainan	50% of the Offer Price	1-year	20%	84,000	102,000	0.0030%	0.0036%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Chen Xinzong	No. 5, 1 Alley, Xiyi Beijiao New Village, Huicheng Town, Huilai County, Guangdong	50% of the Offer Price	1-year	20%	84,000	102,000	0.0030%	0.0036%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Zhai Yaru	Xishaliang Village, Beihezhuang, Ningjin County, Xingtai, Hebei	50% of the Offer Price	1-year	20%	105,000	128,000	0.0037%	0.0045%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Chen Yungen	Dangzhan Village, Gangshang Town, Nanchang County, Jiangxi	50% of the Offer Price	1-year	20%	105,000	128,000	0.0037%	0.0045%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Zou Hua	No. 401, 4th Floor Industrial and Commercial Bank of China, Ziyang District, Yiyang, Hunan	50% of the Offer Price	1-year	20%	84,000	102,000	0.0030%	0.0036%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Qing Peng	Rm 310, Unit 1, Block 2, No. 202 Jiefang Lu Yi Duan Chengdu	50% of the Offer Price	1-year	20%	84,000	102,000	0.0030%	0.0036%
			2-year	20%				
			3-year	20%				
			4-year	20%				
			5-year	20%				
Total					14,532,000	17,719,000	0.5163%	0.6288%

Notes:

- (1) 1-year: exercisable anytime after the first anniversary of the Listing Date.
2-year: exercisable anytime after the second anniversary of the Listing Date.
3-year: exercisable anytime after the third anniversary of the Listing Date.
4-year: exercisable anytime after the fourth anniversary of the Listing Date.
5-year: exercisable anytime after the fifth anniversary of the Listing Date.
- (2) Assuming the Over-allotment Option is not exercised and without taking into account any Shares falling to be issued and allotted upon the exercise of any options that may be granted under the Share Option Scheme

Assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full during the year ending 31 December 2009 and that (i) 2,814,532,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 14,532,000 Shares, assuming that the Offer Price is set at the high-end of the indicative Offer Price range, to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme; or (ii) 2,817,719,000 Shares, comprising 2,800,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 17,719,000 Shares, assuming that the Offer Price is set at the low-end of the indicative Offer Price range, to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending 31 December 2009, (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) the estimated impact of the Pre-IPO Share Options on our Group's consolidated income statements for the year ending 31 December 2009:

- (i) approximately HK\$7.71 million, assuming that the Offer Price is set at the high-end of the indicative Offer Price range; or
- (ii) approximately HK\$7.67 million, assuming that the Offer Price is set at the low-end of the indicative Offer Price range.

Save for the options granted as of the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Our Directors have undertaken to our Company that they and the relevant employees will not exercise the options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after the Global Offering and Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

E. SHARE OPTION SCHEME

1. Summary of the terms of the Share Option

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the sole shareholders of the Company on 20 May 2009. For the purpose of this section, unless the context otherwise requires:

- "Adoption Date" means 20 May 2009 (being the date on which the Share Option Scheme was adopted by resolution of the shareholder of the Company);
- "Board" means the board of Directors of the Company or a duly authorized committee thereof;
- "Eligible Person" means any director (including independent non-executive director), employee (whether full-time or part-time), consultant or advisor who in the sole discretion of the Board has contributed or will contribute to the Group;
- "Grantee" means any Eligible Person who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) any person entitled to exercise any Option in consequence of the death of the original Grantee;

- “Offer” means an offer of the grant of an Option made in accordance with the terms of the Share Option Scheme;
- “Offer Date” means the date on which an Offer is made to an Eligible Person, which must be a business day;
- “Option” means a right to subscribe for Shares pursuant to the Share Option Scheme;
- “Option Period” means a period to be determined and notified by the Board to the Grantee during which the Option may be exercised and in any event shall not be more than 10 years commencing on the Offer Date and expiring on the last day of such 10 year period subject to the provisions for early termination contained in the Share Option Scheme;
- “Option Price” means the amount determined by the Board from time to time; and
- “substantial shareholder” has the meaning ascribed thereto under the Listing Rules.

The purpose of this Share Option Scheme is to provide incentive and/or reward to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Company.

(a) *Administration of the Share Option Scheme*

The Share Option Scheme shall be subject to the administration of the Board (or if the Board so resolves by a committee of the Board whose members shall include at least one independent non-executive Director) whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties subject to the prior receipt of a statement in writing from the auditors or the independent financial advisor of the Company if and as required by the Share Option Scheme.

(b) *Who may join*

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time within the period of ten (10) years after the Adoption Date to make an Offer to any Eligible Person as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine at the Subscription Price. The Board may in its absolute discretion specify such conditions as it thinks fit when making an Offer to an Eligible Person (including, without limitation, as to any performance criteria which must be satisfied by the Eligible Person and/or the Company and/or its subsidiaries before an Option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme or the relevant requirements under applicable laws or the Listing Rules.

An Offer shall be made to a Eligible Person in writing and shall remain open for acceptance by the Eligible Person to whom an Offer is made for a period of 21 days after (i) the date on which the Offer was issued, or (ii) the date on which the conditions (if any) for the Offer are satisfied, by which the Eligible Person must accept the Offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the Adoption Date.

(c) *Price of Shares*

The subscription price of a Share in respect of any particular Option granted under the Share Option Scheme shall be a price determined by the Board and notified to an Eligible Person, and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. Where an Option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the Offer Date for such Option. For the purpose of calculating the subscription price, where an Option is to be

granted less than five business days after the listing of the Shares on the Stock Exchange, the Offer Price shall be taken to be the closing price for any business day before listing.

(d) *Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, must not, in aggregate, exceed 30.0% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.
- (ii) At the time of adoption by the Company of any new share option scheme (the “**New Scheme**”) the total number of Shares which may be issued upon exercise of all options to be granted the New Scheme and all schemes existing at such time of the Company in aggregate must not exceed 10.0% of the total number of Shares in issue as at the date of the Shareholder approval of the New Scheme (the “**Scheme Mandate Limit**”). For the avoidance of doubt, Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.
- (iii) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders at general meeting, provided that (a) the total number of Shares which may be issued upon exercise of all options to be granted under all Existing Schemes under the Scheme Mandate Limit as renewed shall not exceed 10.0% of the total number of Shares in issue as of the date of Shareholders’ approval of the refreshing of the Scheme Mandate Limit; (b) options previously granted under the Existing Schemes (including options exercised, outstanding, cancelled, or lapsed in accordance with the relevant scheme rules) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and (c) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in the Listing Rules.
- (iv) The Company may seek separate approval from the Shareholders at general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that (a) the grant is only to Eligible Persons specifically identified by the Company before the approval is sought; and (b) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of the Listing Rules and any other applicable laws and rules.

(e) *Grant of Options*

- (i) No Offer shall be made to any Eligible Person after a development concerning the Company or any of its subsidiary has occurred or a price sensitive matter concerning the Company or any of its subsidiary has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted, nor should any Offer be made to any other periods of time stipulated by the relevant sections of the Listing Rules from time to time in relation to any restriction at the time of grant options.
- (ii) An offer shall be deemed to have been accepted and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the Company receives

the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance of the Option Price to the Company. Any Offer may be accepted in respect of all or less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral number thereof. To the extent that an Offer is not accepted within the time stated in the Offer for that purpose, it shall be deemed to have been irrevocably declined.

(f) *Options granted to directors and substantial shareholders*

- (i) Paragraphs (ii), (iii) and (iv) under this sub-heading are subject to any waiver or ruling granted by the Stock Exchange, and may be amended by the Board to reflect any amendments made by the Stock Exchange after the Adoption Date to the relevant provisions of the Listing Rules, which paragraphs have been drafted to reflect as of the Adoption Date. Options that have already lapsed in accordance with the Share Option Scheme shall not be counted. For the purpose of paragraphs (ii), (iii) and (iv) under this sub-heading, “Relevant Shares” means Shares issued and to be issued upon exercise of all Options granted and to be granted (including exercised, cancelled and outstanding Options) to the relevant grantee in the 12-month period up to and including the Offer Date of the relevant Option referred hereto.
- (ii) No Option shall be granted to any Eligible Person (“**Relevant Eligible Person**”) if, at the time of grant, the number of Relevant Shares would exceed 1% of the total number of Shares in issue, unless (1) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates shall abstain from voting; (2) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and (3) the number and terms (including the Subscription Price) of such Option are fixed before the general meeting of the Company at which the same are approved.
- (iii) The grant of Options to a connected person (or its associates) of the Company requires the approval of all the independent non-executive Directors (excluding any independent non-executive Director who is a prospective Grantee of the Option). Where an Option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and the grant will result in the number and value of the Relevant Shares exceeding 0.1% of the total number of Shares in issue at the relevant time of grant and an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5.0 million, such grant shall not be valid unless (1) a circular containing the details of the grant has been dispatched to the Shareholder in a manner complying with, and containing the information as required under the Listing Rules (including in particular a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective Grantee of the Option) to the independent shareholders as to voting; and (2) the grant has been approved by the Shareholders in general meeting (taken on a poll) in accordance with the relevant provisions of the Listing Rules, in particular, all connected persons shall abstain from voting in favor of the grant.
- (iv) Shareholders’ approval and the circular described above are also required for any change in the terms of Options granted to a Grantee who is a substantial shareholder, an independent non-executive Director or any of their respective associates.

(g) *Exercise of Option*

An option may be exercised in whole or in part by the Grantee (or his personal representatives) before the expiry of the Option Period by delivering to the Company a notice in writing in a form

approved by the Board stating that the Option is to be exercised and the number of Shares in respect of which it is exercised.

(h) *Rights are personal to Grantee*

An option shall be personal to the Grantee and shall not be assignable nor transferable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favor of any third-party over or in relation to any Option.

(i) *Rights on cessation of employment by death*

Where the grantee of an outstanding Option dies before exercising the Option in full or at all, the Option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made pursuant to a general offer, scheme of arrangement, scheme for the reconstruction or amalgamation or voluntary winding up of the Company by his or her personal representatives within 12 months of the date of death.

(j) *Rights on cessation of employment*

Where the holder of an outstanding Option ceases to be an Eligible Person for any reason, the Option shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option shall be exercisable to the extent and within such period (not exceeding 90 days) as the Board may determine. The date of such cessation shall be (i) if he is an employee of the Company or any subsidiary, his last actual working day at his work place with the Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of the Company or any subsidiary, the date on which the relationship which has constituted him an Eligible Person ceases.

(k) *Cancellation of Options*

The Company may cancel an Option granted but not exercised with the approval of the grantee of such Option. Options may be granted to an Eligible Person in place of his cancelled Options provided that there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit of the Scheme (or similar limit under any other scheme adopted by the Company) from time to time.

(l) *Reorganization of Capital Structure*

In the event of any alteration in the capital structure of the Company whilst any Option has been granted and remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company, the Company shall make corresponding alterations (if any) to the number of Shares subject to the Options already granted so far as they remain exercisable and/or the Subscription Price, provided that (i) no such alteration shall be made in respect of an issue of securities by the Company as consideration in a transaction; (ii) any such alterations must be made so that each Grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled; (iii) no such alterations shall be made which would result in the Subscription Price for a Share being less than its nominal value, provided that in such circumstances the Subscription Price shall be reduced to the nominal value; (iv) any such alterations, save for those made on a capitalization issue, shall be confirmed by an independent financial adviser or the auditors of the Company for the time being in writing to the Directors as satisfying the requirements of item (ii) and (iii) above; and (v) any such alterations made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event.

(m) *Rights on a general offer*

If a general offer by way of takeover is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Company shall give notice thereof to the Grantee and the Grantee (or his personal representatives) may, by delivering a notice in writing to the Company within 14 days of such notice, exercise the Option to its full extent or to the extent specified in such notice.

(n) *Rights on scheme of arrangement*

If a general offer, by way of a scheme of arrangement, is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall give notice thereof to the Grantee and the Grantee (or his personal representatives) may, by delivering a notice in writing to the Company within seven days of such shareholders' approval, exercise the Option to its full extent or to the extent specified in such notice.

(o) *Rights on voluntary winding up*

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions) and thereupon, each Grantee (or his legal personal representatives) shall be entitled to exercise all or any of his Options at any time not later than seven days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant Shares to the Grantee credited as fully paid.

(p) *Rights on reconstruction or amalgamation*

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (n) above between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his personal representatives) may at any time thereafter, but before such time as shall be notified by the Company, exercise all or any of his Options, and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Options.

(q) *Period of the Share Option Scheme*

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period to be determined and notified by the Board to the Grantee during which the Option may be exercised and in any event shall not be more than 10 years commencing on the date on which the Offer in relation to such Option is deemed to have been accepted in accordance with the terms of the Share Option Scheme and expiring on the last day of the ten-year-period.

(r) *Termination of the Share Option Scheme*

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(s) *Lapse of Option*

The right to exercise an Option (to the extent not already exercised) shall terminate immediately upon the earliest of

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraph (i), (j), (m) or (p), respectively;
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in subparagraph (n);
- (iv) the date on which the Grantee ceases to be an Eligible Person by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty. A resolution of the Board to the effect that the employment or other relevant contract of a Grantee has or has not been terminated on one or more of the grounds specified above shall be conclusive;
- (v) subject to sub-paragraph (o), the date of the commencement of the winding-up of the Company; and
- (vi) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest (whether legal or beneficial) in favor of any third-party over or in relation to any Option or purport to do any of the foregoing in breach of the Share Option Scheme.

(t) *Alterations to the Share Option Scheme*

The provisions of the Share Option Scheme as to the definitions of "Eligible Person", "Grantee" and "Option Period", the purpose, duration and administration of the Share Option Scheme, the grant of Options, the subscription price, the exercise of Options, the lapse of Options, the maximum number of Shares available for subscription, the Reorganization of the capital structure of the Company, the alteration of the Share Option Scheme, cancellation of the Share Option Scheme and termination of the Share Option Scheme shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders in general meeting (with participants and their Associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the Grantees as would be required of the Shareholders under the constitutional documents for the time being of the Company for a variation of the rights attached to the Shares. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme shall not be valid unless approved by Shareholders in general meeting. Any alteration to the provisions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Share Option Scheme. Any adjustment to be made to the exercise price of, and/or the number of shares subject to, any options to be granted under the Share Options Scheme will comply with Chapter 17 of the Listing Rules, the supplemented guidance issue on 5 September 2005 and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

2. General

The Share Option Scheme is conditional on (i) the Listing Committee granting approval of the listing of and permission to deal in the Shares and any Shares which may fall to be issued pursuant to the exercise of any Option under the Share Option Scheme; (ii) the commencement of dealings in the Shares on the Stock Exchange; (iii) the passing of the necessary resolution to adopt the Share Option Scheme by the Shareholder in general meeting; and (iv) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, of relevant, as a result of the waiver of any such conditions) not being terminated in accordance with the terms of the Underwriting Agreement or otherwise.

As of the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme. Options may be granted at any time after the commencement of dealing in the Shares.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the Options granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnity

Each of the Controlling Shareholders (together, the “**Indemnifiers**”) has entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (q) referred to in the section headed “B. Further Information About our Business – 1. Summary of our material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among others, any liability for tax which might be incurred by any member of our Group and/or its associated companies on or before the date when the Global Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands and the BVI, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Global Offering and the Capitalization Issue become unconditional.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that adequate provision has been made for such taxation in the consolidated audited accounts of our Company or the audited accounts of the relevant Group members up to 31 December 2008;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing after 31 December 2008 would not have arisen but for any act or omission of, or transaction voluntarily carried out or effected by, any of such members without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction carried out in the ordinary course of business or carried out, made or entered pursuant to a legally binding commitment created on or before the date on which the Global Offering and Capitalization Issue become unconditional;
- (c) for which any of our Group members is primarily liable as a result of any events occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary

course of acquiring or disposing of capital assets after the date on which the Global Offering and Capitalization Issue become unconditional;

- (d) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date on which the Global Offering becomes unconditional or to the extent such claim arises or is increased by an increase in rates of taxation after such date with retrospective effect; or
- (e) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2008 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (e) to reduce the Indemnifiers' liability in respect of taxation shall not be available

2. Litigation

As of the Latest Practicable Date, neither we nor any of our subsidiaries are/is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

The estimated preliminary expenses are approximately HK\$35,000 and are payable by our Company.

4. Joint Sponsors

The Joint Sponsors made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued pursuant to the exercise of options to be granted under the Pre-IPO Share Option Scheme and Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

5. No material adverse change

Our Directors confirm that there has been no material adverse change in the Group's financial or trading position or prospects since 31 December 2008 (being the date on which the latest audited consolidated financial statements of the Group was made up).

6. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

7. Miscellaneous

- (1) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus, our Company or any of our subsidiaries has not issued or agreed to issue any of their share or loan capital fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
 - (v) none of our equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (vi) we have no outstanding convertible debt securities or debentures;
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

8. Promoter

The Company has no promoter for the purposes of the Listing Rules.

9. Qualification of experts

The qualifications of the experts who have given opinion or advice which are contained in this prospectus are as follows:

<u>Name of Expert</u>	<u>Qualification</u>
The Hongkong and Shanghai Banking Corporation Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and is also a licensed bank under the Banking ordinance (Chapter 155 of the Laws of Hong Kong)
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities under the SFO
KPMG	Certified Public Accountants
Jones Lang LaSalle Sallmanns Limited	Property valuer
King & Wood PRC Lawyers	Legal advisor to the Company on PRC law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

10. Consents of experts

Each of the experts referred to in paragraph 9 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or the references (as the case may be) to its name in the form and context in which they are respectively included.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW and GREEN** Application Forms, the written consents referred to in the section headed “F. Other Information – 10. Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the section headed “B. Further Information About our Business – 1. Summary of our material contracts” in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Herbert Smith at 23/F, Gloucester Tower, 15 Queen’s Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report on the Group prepared by KPMG, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- (c) the audited consolidated financial statements of the Group for the years ended 31 December 2006, 2007 and 2008;
- (d) the letter prepared by KPMG relating to the unaudited pro forma financial information of the Group, the text of which are set out in Appendix II to this prospectus;
- (e) the letter and valuation certificate relating to the property interest of the Group prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) letter of advice prepared by Conyers, Dill & Pearman summarizing certain aspects of the Cayman Companies Law referred to in Appendix IV to this prospectus;
- (g) the material contracts referred to in the section headed “B. Further Information about our Business – 1. Summary of our material contracts” in Appendix V to this prospectus;
- (h) the written consents referred to in the section headed “F. Other Information – Tax and other indemnity” in Appendix V to this prospectus;
- (i) the legal opinions prepared by King & Wood PRC lawyers in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (j) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme;
- (k) the director’s service agreements and the letters of appointment referred to in the section headed “C. Further Information about our Directors – 1. Particulars of director’s service agreements and letters of appointment” in Appendix V to this prospectus; and
- (l) the Cayman Companies Law.

BaWang International (Group) Holding Limited
霸王國際(集團)控股有限公司*