

## 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)
<b>Consolidated Income Statements</b>			
<b>Turnover</b> .....	392,369	921,680	1,411,248
Cost of sales .....	(166,543)	(422,708)	(509,324)
<b>Gross profit</b> .....	<b>225,826</b>	<b>498,972</b>	<b>901,924</b>
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)
<b>Profit from operations</b> .....	<b>118,557</b>	<b>182,453</b>	<b>341,925</b>
Finance income .....	538	1,464	3,117
Finance expenses .....	(1,202)	(1,900)	—
<b>Net finance (costs) / income</b> .....	<b>(664)</b>	<b>(436)</b>	<b>3,117</b>
<b>Profit before income tax</b> .....	<b>117,893</b>	<b>182,017</b>	<b>345,042</b>
Income tax .....	(1,934)	(672)	(63,268)
<b>Profit for the year attributable to the equity holders of the Company</b> .....	<b>115,959</b>	<b>181,345</b>	<b>281,774</b>
<b>Dividends declared during the year</b> .....	<b>—</b>	<b>114,903</b>	<b>146,423</b>

## SUMMARY

	At 31 December		
	2006 <u>(RMB'000)</u>	2007 <u>(RMB'000)</u>	2008 <u>(RMB'000)</u>
<b>Consolidated Balance Sheets</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....	23,949	22,571	31,510
Lease prepayments .....	4,756	—	—
<b>Total non-current assets .....</b>	<b><u>28,705</u></b>	<b><u>22,571</u></b>	<b><u>31,510</u></b>
<b>Current assets</b>			
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
<b>Total current assets .....</b>	<b><u>260,344</u></b>	<b><u>521,214</u></b>	<b><u>619,381</u></b>
<b>Current liabilities</b>			
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
	<u>130,401</u>	<u>369,557</u>	<u>329,994</u>
<b>Net current assets .....</b>	<b><u>129,943</u></b>	<b><u>151,657</u></b>	<b><u>289,387</u></b>
<b>Total assets less current liabilities .....</b>	<b><u>158,648</u></b>	<b><u>174,228</u></b>	<b><u>320,897</u></b>
<b>Non-current liabilities</b>			
Deferred tax liabilities .....	—	—	6,369
<b>Net assets .....</b>	<b><u>158,648</u></b>	<b><u>174,228</u></b>	<b><u>314,528</u></b>
<b>Capital and reserves</b>			
Paid-in capital .....	118,813	—	—
Reserves .....	39,835	174,228	314,528
<b>Total equity .....</b>	<b><u>158,648</u></b>	<b><u>174,228</u></b>	<b><u>314,528</u></b>



## SUMMARY

### GLOBAL OFFERING STATISTICS<sup>(1)</sup>

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



## SUMMARY

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

## SUMMARY

- (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 ongoing 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

## SUMMARY

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.