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.

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;

- 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 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 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 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

- 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;

- 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 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.

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 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 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 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.

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 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 an 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, 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 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.

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 (職工帶薪年休假條例), 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.

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.

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 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 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.