

HISTORY AND DEVELOPMENT

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

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

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

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

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

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

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

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

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

REORGANIZATION

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

Restructuring of our HPC product operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Establishment of our current shareholding structure

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

(1) Our Company

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

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

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

(2) Maxford Investments

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

(3) Forever Giants

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

(4) Bawang Hong Kong

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

(5) Bawang Trading

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

(6) Lucky Rich

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

(7) Bawang Investments

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

(8) Bawang Guangzhou

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

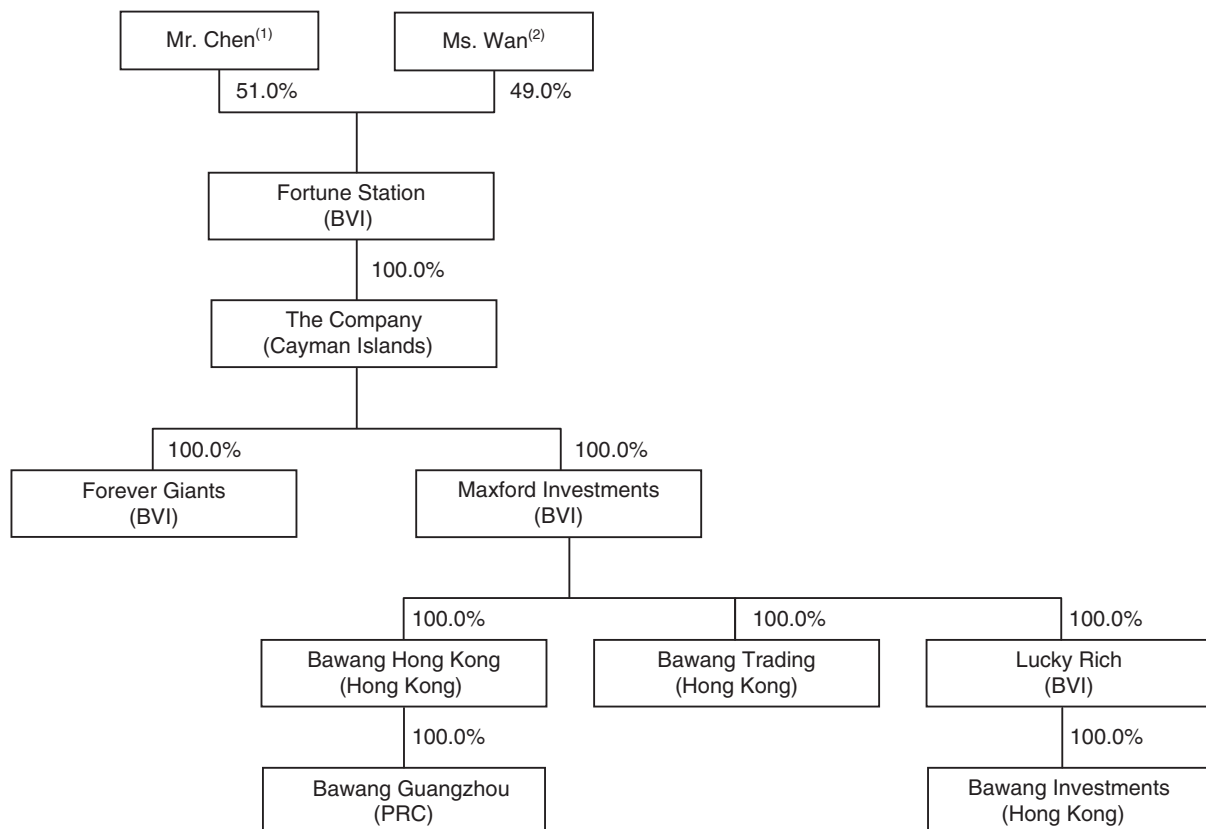
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of Bawang Guangzhou was held by Bawang Bermuda. Bawang Bermuda and Bawang Hong Kong entered into an equity transfer agreement on 20 December 2007, pursuant to which Bawang Bermuda agreed to transfer its entire equity interest in Bawang Guangzhou to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

CORPORATE STRUCTURE

Corporate Structure Immediately Prior to the Global Offering

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



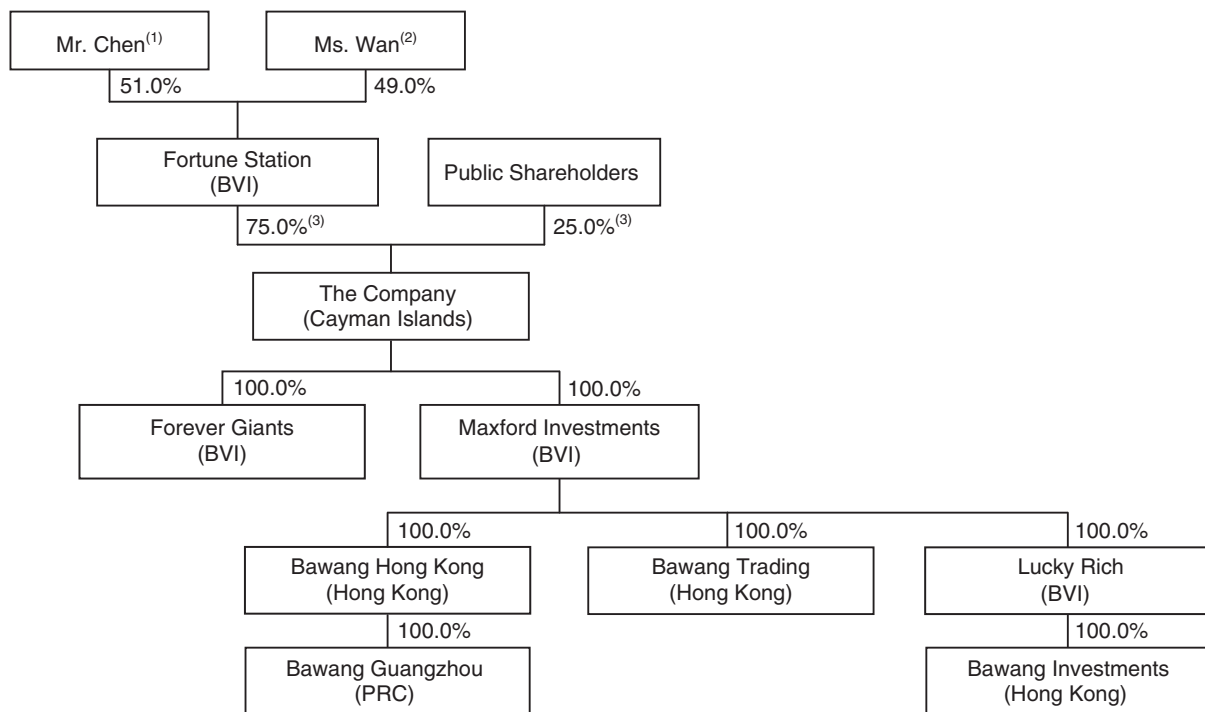
Notes:

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

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Corporate Structure Upon Completion of the Global Offering

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



Notes:

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