

CONNECTED TRANSACTIONS

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

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

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

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

1. Non-Competition Deed

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

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

2. Trademark Assignment Agreements

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

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

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

1. Production and Office Premises Lease Agreement

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

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

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

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

2. Packaging Material Supply Agreement

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

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

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

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

3. Toothpaste Container Supply Agreement

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

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

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

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

Confirmation from the Directors

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

Confirmation from the Joint Sponsors

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

Application for Waiver from Strict Compliance of the Listing Rules

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

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