
INVESTMENT BY CARLYLE

BACKGROUND

On 13 June 2007, CAGP L.P. and CAGP III, L.P., both being investment funds managed by entities within Carlyle, entered into the Convertible Loan Agreement and the Investment Agreement with, among others, Mr. Ding and our Company. The Convertible Loan Agreement and the Investment Agreement were amended on 24 August 2007, pursuant to the entering of the Supplemental Agreement and on 17 September 2007, pursuant to the entering of the Second Supplemental Agreement.

Pursuant to the Convertible Loan Agreement, the Carlyle Investment Funds agreed to provide our Company with a convertible loan of an aggregate principal amount of approximately RMB40 million convertible into Series A Preferred Shares. On 18 September 2007, pursuant to the Convertible Loan Agreement (as amended), the Carlyle Convertible Loan was converted into 2,161,010 and 86,180 Series A Preferred Shares which were held by CAGP L.P. and CAGP III, L.P., respectively.

Pursuant to the Investment Agreement, the Carlyle Investment Funds agreed to further subscribe to Series A Preferred Shares at an aggregate consideration of approximately RMB180 million. On 18 September 2007, pursuant to the Investment Agreement (as amended), our Company issued 9,724,551 and 387,809 Series A Preferred Shares to CAGP L.P. and CAGP III, L.P., respectively.

On 21 March 2008, the numbers of Series A Preferred Shares held by CAGP L.P. and CAGP III, L.P. were adjusted to 10,380,417 and 413,965 Series A Preferred Shares respectively based on the financial performance of our Group companies for the year ended 31 December 2007 with reference to the pre-determined share adjustment formula stipulated in the Convertible Loan Agreement (as amended) and the Investment Agreement (as amended). The pre-determined share adjustment formula was that if the net income of our Group companies for the year ended 31 December 2007 as agreed between our Company and the Carlyle Investment Funds (the “**2007 Net Profit**”) is more than or equal to RMB200 million, the shareholding percentage held by the Carlyle Investment Funds in the total issued and outstanding share capital of our Company shall be adjusted downwards as follows:

The shareholding percentage held by the
Carlyle Investment Funds in the total
issued and outstanding share capital of
our Company = 11% x (200 million / 2007 Net Profit)

The above references to the 2007 Net Profit being less than, more than or equal to RMB200 million are simply benchmarks that we pre-agreed with the Carlyle Investment Funds for the purposes of the share adjustment mechanism, which is a purely pre-determined private arrangement among the parties to the Investment Agreement (as amended) and the Convertible Loan Agreement (as amended). Based on such pre-determined adjustment formula, CAGP L.P. and CAGP III, L.P. converted 1,505,144 and 60,024 Series A Preferred Shares previously held by each of them respectively into 1,505,144 and 60,024 ordinary Shares of our Company and transferred the said converted ordinary Shares of our Company to Group Success as beneficial owner free from all encumbrances for nominal consideration of US\$1.00. Other than this share adjustment mechanism, there is no further adjustment as part of the terms of the investments by Carlyle.

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As at the Latest Practicable Date, CAGP L.P. and CAGP III, L.P. were holding a total of 10,380,417 and 413,965 Series A Preferred Shares, respectively, on a fully diluted basis constitute approximately 9.2% and 0.4% shareholding in our Company, respectively.

INFORMATION REGARDING CARLYLE

Carlyle is one of the world's largest global private equity firms, with more than US\$75.6 billion under management. Carlyle is independent of, and not connected with, the Directors, chief executives or substantial Shareholders of our Company (other than via the Carlyle Investment Funds) or any of our subsidiaries or any of their respective associates. The general partner of CAGP L.P. and CAGP III, L.P. is CAGP General Partner L.P., an exempted limited partnership established under the laws of the Cayman Islands which itself sets by its general partner CAGP Ltd, an exempted company established under the laws of the Cayman Islands. The Carlyle Investment Funds are principally engaged in investments across a broad range of sectors with exclusive geographical focus on China, India, Japan and South Korea.

PRINCIPAL TERMS

The principal terms of the investment by Carlyle are summarised as follows:

Conversion into ordinary Shares

Pursuant to the Convertible Loan Agreement (as amended) and the Investment Agreement (as amended), the Carlyle Investment Funds are entitled to convert their Series A Preferred Shares into such number of ordinary Share of HK\$0.01 par value in the capital of our Company at any time. Unless the Carlyle Investment Funds choose to convert their Series A Preferred Shares into ordinary Shares of our Company before the completion of the Global Offering, their Series A Preferred Shares will be converted automatically into such number of ordinary Shares of our Company upon the completion of the Global Offering.

On 7 May 2008, each of CAGP L.P. and CAGP III, L.P. delivered a conversion notice to our Company to convert, conditional upon satisfaction of the conditions to the Listing as set out in Appendix VI to this prospectus, the Series A Preferred Shares into our Shares and requested our Company to issue 10,380,417 Shares and 413,965 Shares respectively to CAGP L.P. and CAGP III, L.P. prior to Listing, after adjusting for the subdivision and capitalisation of our Shares. This conversion is based on a one-for-one conversion of each Series A Preferred Share into a Share and the conversion price is a pre-determined fixed price, subject to adjustments upon the occurrence of certain events, such as consolidation, subdivision and capitalisation of our Shares.

Following such conversion and upon the completion of the Capitalisation Issue and the Global Offering, CAGP L.P. and CAGP III, L.P. will be holding a total of 152,436,424 and 6,079,076 Shares, respectively, representing approximately 6.9% and 0.3% shareholding in our Company, respectively, assuming there are no diluting issuances by our Company such as consolidation, subdivision or capitalisation of our Shares.

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The price per Share paid by the Carlyle Investment Funds was approximately HK\$1.55 (the “**Entry Price**”). Based on the stated Offer Price range, the Entry Price represents a discount of approximately 61.7% to the Offer Price of HK\$4.05 per Share, being the bottom end of the stated Offer Price range, and a discount of approximately 71.8% to the Offer Price of HK\$5.50 per Share, being the top end of the stated Offer Price range.

The investment risks that the Carlyle Investment Funds were subject to when making the investment in our Company back in June 2007 were entirely different from the risks which the investing public may have to bear in the context of the Global Offering. The Entry Price reflected the illiquidity of the Shares, the historical financial performance of our Group companies, the lock-up arrangement, the strategic value added by the Carlyle Investment Funds to our Company as set out below and the bargaining positions of the parties at that time.

The proceeds from the investment by the Carlyle Investment Funds in our Company were used as our working capital for the expansion of our business and for our internal restructuring. We believe that the presence of the Carlyle Investment Funds has added strategic value to our Group including boosting the profile of our Company and our Shareholder base, reinforcing good corporate governance practices and generally enhancing accountability and transparency of our Company. In addition, our Directors believe that the Carlyle Investment Funds’ global network and previous investments and expertise in the consumer goods sector can also benefit the development of our Group.

Lock-up

Each of the Carlyle Investment Funds undertakes that without the prior written consent of our Company, J.P. Morgan Asia Pacific and UBS, it shall not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”) dispose of any of the Shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation (the “**Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares held by the Carlyle Investment Funds on the Listing Date.

The above restrictions shall not prevent the Carlyle Investment Funds from transferring all or part of the Relevant Shares to any entities or funds, directly or indirectly, controlling, controlled by or under common control of Carlyle (“**Carlyle Affiliates**”). The Carlyle Affiliates will be subject to the restrictions on disposals imposed on the Carlyle Investment Funds pursuant to the Convertible Loan Agreement (as amended) and/or the Investment Agreement (as amended). If a Carlyle Affiliate ceases to be a Carlyle Affiliate during the Lock-up Period, it shall transfer the Relevant Shares to the Carlyle Investment Funds or another Carlyle Affiliate which undertakes to abide by the terms and restrictions on disposals imposed on the Carlyle Investment Funds pursuant to the Convertible Loan Agreement (as amended) and the Investment Agreement (as amended).

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In addition to the lock-up arrangement set out above, each of the Carlyle Investment Funds undertakes to us that, subject to, among others, (i) the commencement date of trading of the Shares on the Stock Exchange pursuant to the Listing being before 31 December 2009, and (ii) the conversion of the Series A Preferred Shares held by the Carlyle Investment Funds into ordinary Shares of our Company before 31 December 2009, the Carlyle Investment Funds shall not:

- (a) within the calendar year in which the date of the Listing falls into (the “**First IPO Year**”), dispose of or enter into any agreement to agree to dispose during the First IPO Year of more than 20% of those ordinary Shares of our Company held by the Carlyle Investment Funds on the Listing Date;
- (b) within the calendar year immediately subsequent to the First IPO Year (the “**Second IPO Year**”), dispose of or enter into any agreement to agree to dispose during the Second IPO Year of more than 30% of those ordinary Shares of our Company held by the Carlyle Investment Funds on the date of the Listing, provided that (i) this 30% limit shall not include, and (ii) there shall be no restriction on the rights of the Carlyle Investment Funds to dispose after the First IPO Year, any ordinary Shares of our Company which they have the right to dispose but has not disposed of within the First IPO Year.

Redemption of the Series A Preferred Shares

The Carlyle Investment Funds are entitled to redeem their Series A Preferred Shares if, among others, one of the following events occur:

- (a) any event has occurred giving rise to a right to terminate the Convertible Loan Agreement (as amended) or the Investment Agreement (as amended), including mutual consent, material breach of any provision of the Convertible Loan Agreement (as amended) or the Investment Agreement (as amended), and any action by any governmental authority prohibiting the consummation of any material transactions contemplated therein, or
- (b) the initial public offering has not occurred before the fifth anniversary of the initial issuance of the Series A Preferred Shares.

The redemption price for each Series A Preferred Share shall be equal to the sum of the issue price for each Series A Preferred Share, plus 15% of the issue price for each Series A Preferred Share (as adjusted in accordance with the Convertible Loan Agreement (as amended) and the Investment Agreement (as amended) and for any dividend of shares, division or combination of shares, recapitalisations and the like) compounded annually from the initial issuance date of the Series A Preferred Share until completion of the redemption of such Series A Preferred Share, provided that such interest shall not be applicable for such period when a force majeure event has happened.

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Management of our Company

Pursuant to the terms of the Investor's Rights Agreement, for so long as the Carlyle Investment Funds collectively hold any Series A Preferred Shares (including any ordinary Shares of our Company issued upon conversion thereof), the Carlyle Investment Funds shall have the right to appoint one director to the board of directors of our Company. The Carlyle Investment Funds shall also elect one independent director jointly selected by Mr. Ding, Ms. Ding Mei Qing, Mr. Ding Jin Chao and the Carlyle Investment Funds. The Investor's Rights Agreement and the foregoing rights of the Carlyle Investment Funds to appoint directors shall cease to have effect upon the completion of the Global Offering.

The Carlyle Investment Funds currently have one representative, Mr. Xiao Feng, on our Board, which comprises nine Directors.

Preferential rights of the Convertible Loan Agreement, the Investment Agreement, the Investor's Rights Agreement and the Right of First Refusal and Co-sale Agreement ceasing to exist upon completion of the Global Offering

Under the Convertible Loan Agreement (as amended), the Investment Agreement (as amended), the Investor's Rights Agreement and the Right of First Refusal and Co-sale Agreement, other than the right to appointment one director to the board of directors of our Company as set out above, the Carlyle Investment Funds has been granted preferential rights since the entering of the aforesaid agreements primarily in relation to the following:

Dividends. The rights of the Series A Preferred Shares as regards to dividends shall in all respects rank pari passu with the ordinary Shares of our Company.

Reserved Matters. Certain reserved matters of our Group (such as the approval or amendment of our Company's employee option plan, incurrence of indebtedness or expenditure over a certain limit other than those described and permitted by the business plan and budget, amendment of constitutional documents and the distribution of dividend by our Group) must be approved by the Carlyle Investment Funds.

Pre-emptive Right. Each of the Carlyle Investment Funds has a pre-emptive right to purchase up to its pro rata share of any new securities which our Company may, from time to time, propose to sell, offer or issue.

Right of First Offer. Each of the Carlyle Investment Funds has a right of first offer over the Shares proposed to be sold by initial shareholders of our Company.

Tag-along Rights. In the event that any of the initial shareholders of our Company sells any part of its shareholding interest in our Company to a third party (subject to the approval by the Carlyle Investment Funds, the shareholders' rights of first offer and certain other stipulated conditions), the

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Carlyle Investment Funds have the right to have up to a pro rata portion of its shareholding interest in our Company included in such sale, on substantially the same terms and conditions as such share sale by the initial shareholders of our Company.

Information Rights. The Carlyle Investment Funds are entitled to have full and equal access to our financial and accounting information, annual business plan and other books and records subject to certain confidentiality obligations.

The above-mentioned preferential rights of the Carlyle Investment Funds shall cease to have effect upon the completion of the Global Offering.